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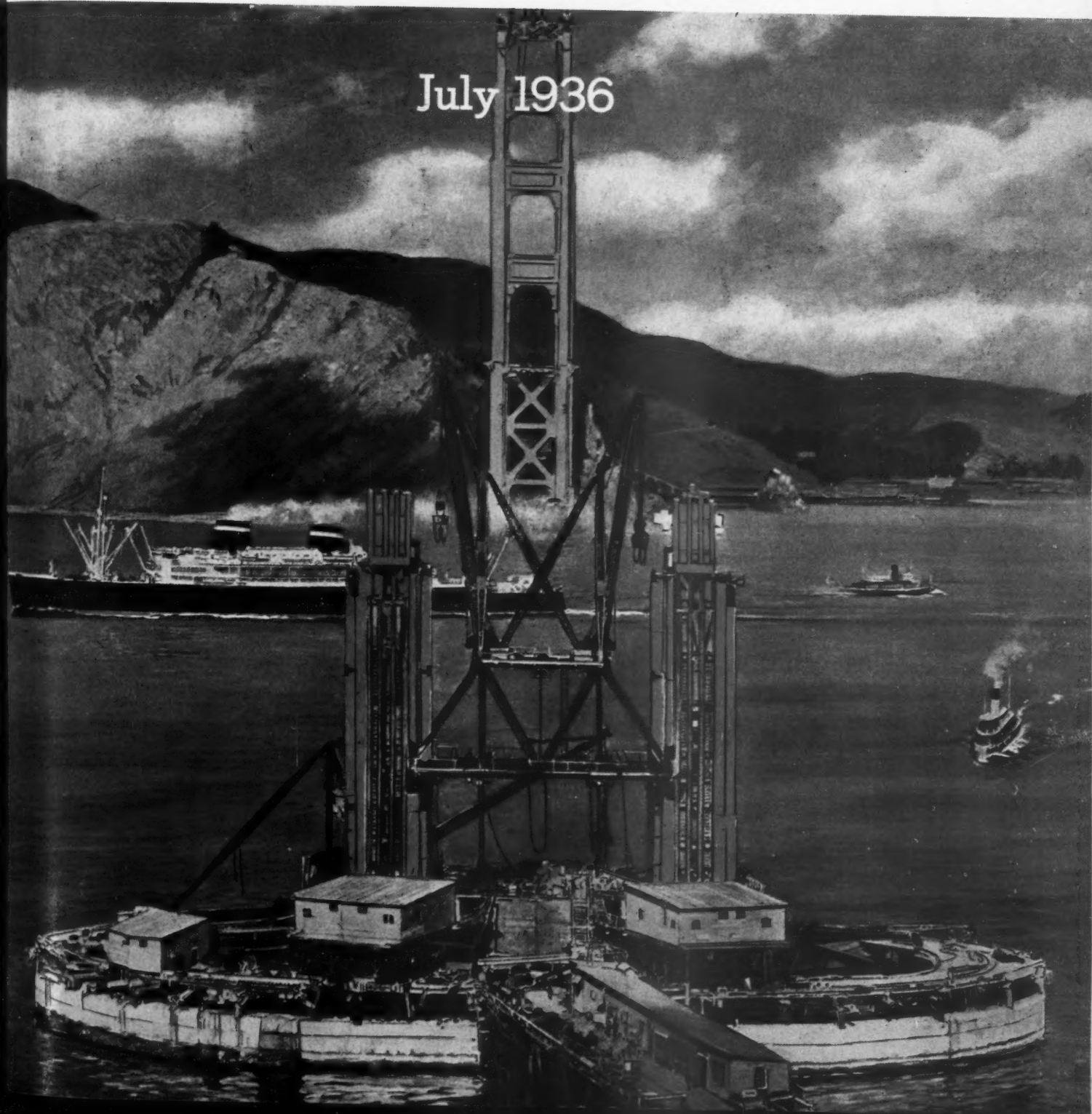
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"The fat of the land"

Our country has been showered with Nature's noblest gifts. Down through the ages, before the coming of the white man, the forces of natural change were at work. When the scattered settlements along the Atlantic coast grew in size and the settlers began pushing their way into the interior, across the mountains, and over the plains, they found a rich country. Sheltered by forests, carpeted with grass, teeming with wild life, irrigated by an abundance of streams, and filled with undreamed of mineral deposits, this was a land of unparalleled natural wealth.

And that land could easily be expected then to retain a large measure of its riches for a long time because, for three centuries following its discovery, men were still equipped with the most primitive methods for extracting the wealth. But with the coming of the machine age, the astounding increase in modern invention, the rapid spread of transportation facilities, there came the opportunity for providing mankind with the stored-up riches that Nature had so bountifully provided. The natural heritage was drawn upon. And for the last century we have been largely living off the accumulation of the ages.

In business we deem it necessary to set up a reserve for depreciation. A mining company's balance sheet would be of no value without an offsetting reserve for depletion. Man himself finds it necessary to conserve his energy during the sixteen hours of the day when he is not forced by Nature to sleep in an effort to restore the energy expended. But what have we done with our natural inheritance?

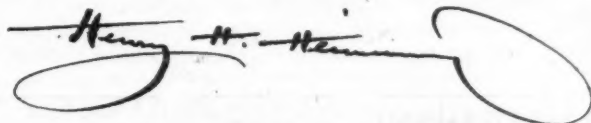
More recently the floods in the East, occurring coincidentally with dust storms in the West, have once again brought a realization of our situation. This had been emphasized from time to time by drought, the more difficult search for minerals, deeper drilling to tap oil levels, retreating forest lines, grazing land turned into sub-marginal farm land by injudicious expansion.

The conservation of our natural resources, the rebuilding of our soil through fertilization, the reforestation of our timber lands, are problems that cause this generation more thought than the generation that has gone before us.

The depletion problem will be a pressing one upon the future generations unless we begin a more constructive policy of conservation and restoration. Nature has its own balance sheet. It will not permit constant depletion without credit entries. It is perfectly willing that the earnings arising out of the seasons that develop soil fertility be yielded but it resents its earning account being jeopardized by a constant drawing on reserves. Year by year we have been facing more difficult problems with all the human suffering they entail. Our forests are no longer the envy of other nations. Our mineral supply seems not so inexhaustible as it once appeared.

We of this generation owe a duty to those who will follow us. That duty is to cease robbing and begin reconstructing. Scientific application of this program will mean a higher and more comfortable standard of life: less privation and misery from these annual afflictions which are Nature's retaliation for our heedlessness.

We cannot expect to "live off the fat of the land" indefinitely.



Executive Manager, N.A.C.M.

The banker looks ahead

by S. SLOAN COLT, President, Bankers' Trust Co., New York

CMembers of the banking fraternity have only recently been able to relax from the nerve-wracking strain of the depression and the banking crisis. For the past few years we have had to face many serious problems arising out of a business recession of unprecedented magnitude and severity.

The situation has now materially changed, and we face the future with calmer spirits. The period of general liquidation has passed and bank assets are gradually rising. Thousands of weaker banks have been placed in liquidation, bad assets have been written off and capital structures have been rehabilitated. With the increase in security values recoveries have increased, and in some cases earnings have improved.

Deposit insurance, while in no sense a solution of our banking problems, has contributed to a feeling of security on the part of depositors. The recovery in industrial activity and the change in public sentiment from one of despondency to one of hope and even of optimism in some quarters has been reflected in the point of view of many bankers. The more pressing and more immediate problems have been surmounted and we can turn our attention to some of the longer-range issues.

Before the disquieting, but important, lessons of this difficult era pass too far out of mind, however, I think we may with profit pause for a moment to take inventory. The present is a propitious time to take stock of our position, to recall the lessons of the past, to analyze current trends, to identify and evaluate the forces making for change, and to plan for the future in the light of these facts.

While much has been accomplished, I think we will all agree that there are some major unsolved problems in our commercial banking system. Many of the laws which have been enacted affect the general regulation and supervision of banking policy but leave untouched some of the fundamentals of banking

structure and banking operations. Deposit insurance on a national scale is a new experiment and while it may have its effect in preventing the spread of withdrawals in time of trouble, it can in no way be accepted as a substitute for good banking. Supervision can limit the scope of bank operations, but the ultimate decision as to the kind of assets to be held in the portfolios of the banks rests with the bankers.

We may expect a recurrence in the future of business booms and depressions of more or less severity. In spite of all the regulations which may be applied to banking and to business, we shall doubtless again experience periods of decreasing business activity, unemployment, and declining security values. The wise banker, therefore, will always conduct his operations with this contingency in mind.

One of the most important questions which bankers face is this: Are we going to have a banking system which will stand up in future periods of depression, or shall we have a system that will accentuate the difficulties and lend itself to excessive liquidation in periods of stress? While this is a problem for bankers, its solution does not concern bankers alone. Anything which accentuates the evils of depression is a threat to the economic order, to the capitalistic system and to the banking structure as we know it.

The public finds it difficult to understand fully the powers and functions of banks. The banking business seems to them shrouded in mystery, and their ideas of the powers of bankers for good or evil range almost as broadly as the imagination itself. So widely read an historian as H. G. Wells, in his "The New America; the New World," published in 1935, offers this comment:

"... A multitude of people ... declare that the general process of private banking is unfair and dishonest and socially destructive. The banker replies that this indictment comes from sheer ignorance. But he does not volunteer the information

that would remove this ignorance. He does not proffer improved methods. He does not explain, though it is he who ought to know if anyone does, why money and credit do play queer tricks with economic life, and what ought to be done about it. Such an explanation would be contrary to his training and habits. Yet he ought to make the effort ..."

This lack of comprehension on the part of the public is not surprising. Our history has shown that the people are not only jealous of financial power but that they fear it as well. I wonder if we bankers ourselves fully realize the nature of our own powers and understand the full consequences of our own activities. There are few subjects in the whole realm of economic activity that are more complex and more difficult to understand than bank credit. Yet the banker manufactures and dispenses credit and upon him rests the responsibility for wisely administering this function in the interests of the public.

Banks in a very real sense deal with the lifeblood of business, namely, credit. If banks extend credit too liberally, and upon the wrong type of assets, they may feed the flames of credit expansion and speculation until these culminate in a crisis and liquidation. More than one student of the broader aspects of bank credit has stated that banks, through the extension of unwise and excessive credits, contributed materially to the speculative excesses of the late 'twenties.

On the other hand, if bankers are niggardly in their lending policies and restrict credit too severely, they may hinder the normal, healthy growth of business and their communities. To expect bankers to be all-wise in their policies or to be totally unaffected by the temper of the times in which they live, is to expect the impossible. But one thing is sure; the responsibility for exercising this power is too broad and too much involved with the public welfare to be considered from the viewpoint of narrow or selfish interests.

Perhaps the individual banker does not realize the full force and effect of his activities because he frequently looks upon his institution as having a local interest only, and not as a part of the banking system as a whole. We have learned from the lessons of recent years, however, the necessity of familiarizing ourselves with the broader problems of the banking system as a whole. One institution may not be a significant factor viewed as an isolated unit, but when thousands of banks pursue the same or a similar course of action the effects are far-reaching.

Credit manufactured anywhere from Maine to California goes into the country's whole pool of credit and can be used anywhere else. Once we create it we cannot control its use. It follows that credit wisely or unwisely created in New York State may influence conditions in Texas, Florida, or Minnesota, as well as in our own state and locality. No better example of this could be given than the effects of the huge volume of security loans created in the 1920's.

Our own individual activities will be judged in the long run by the results of the activities of the system as a whole. If the system performs a public service which inspires and maintains public confidence and public support, then we as individual units reap the reward. If the system fails then we must share the consequences regardless of our own individual actions. Each banker, therefore, is vitally concerned with the kind of banking done in every other institution.

A learned and respected member of the Federal judiciary, in a recent utterance before a meeting of bankers, made this very pertinent observation: "Gentlemen, your acts over the next ten years will determine whether banking shall continue to be conducted by private interests, or become a function of the National Government." This is the considered opinion of a man of wide experience in public affairs, and with a strong prejudice in favor of the capitalistic system.

Not only are the bankers responsible in large part for the soundness of our credit structure, but they have also become in the course of time an important channel through which the public invests its savings. In a very real sense the banker has become a trustee for the public and has assumed responsibility for the investment of its funds.

This is a service which the small domestic investor has demanded and which the banks have undertaken to perform in larger and larger degree.

The responsibility assumed in this connection is a real one. These investors can ill afford to lose their savings. They are the hardworking, thrifty classes of our people who are the backbone of our country. The security of their deposits is all-important, not only to them as individuals, but also to the safety of our whole economic order. Give this class of small savers security and protection in good times and bad, and you will establish a public confidence and a public support of the banking system against which the demagogues will be powerless. Let the losses to these people be substantial and the seeds of political and economic discord will fall into fertile ground.



At the same time, the depositor must be led to appreciate the nature of his deposit and the risks which any investment of funds necessarily involves, whether the investment is made directly by the saver or indirectly through the bank.

To perform well these functions for the public is not a simple routine matter, however, because in a dynamic society new problems are arising continuously. We are living in a rapidly changing age. Economic, political and social changes have been going on with almost bewildering rapidity, especially during the past two decades. These changes constantly create new problems for bankers, problems which require adjustments to meet the changing order of things, if bankers are to fulfill

properly their function of serving the people whether engaged in industry, commerce or agriculture. We cannot prevent these changes even if we would. We must accept them and meet them or commercial banking will be displaced by some other form of credit organization, which in the long run, I am satisfied, we agree would not be in the interest of the public.

This continuous change makes it impossible for us to solve our banking problems with such finality that they will need no further attention. Continuous, careful, thoughtful study and research is the price of banking progress just as truly as it is the price of achievement in industry, medicine, architecture and engineering.

Concentration of industry, mass production, new methods of distribution, good roads, new methods of transportation and communication, and new methods of business financing, are some of the changes which have created new problems for a banking structure that developed under simpler economic conditions.

The credit problems of a bank are different today from those of twenty-five or fifty years ago. The forces which affect the banking business today are often broad in scope and the result of many complex factors. It is not an easy matter to appraise these forces properly. The problem of diversification has become more and more difficult. The local outlet for funds in many cases has become smaller and smaller and the banker is frequently forced into a type of assets about which he knows little and for which his facilities for study are extremely limited. How will our banking system meet this changing economic order?

Political and economic disturbances in the rest of the world constitute a second set of forces which bring new problems to confront the bankers. As a result of the War and its aftermath, the world has been sorely troubled by economic maladjustments. One of these is the monetary trouble which culminated in the discarding, at least temporarily, of the gold standard by many nations. Closely allied to this monetary trouble is the rapid shifting of capital from country to country, a development which has had violent repercussions upon international credit structures. This country has accumulated a large proportion of the world's monetary gold, and (Continued on page 32)

The use and abuse of credit

By E. B. GNAHN, Credit Manager, Chittenden & Eastman Co., Burlington, Iowa

FM To visualize the importance of credit in the scheme of life, it is but necessary to reflect upon the vicissitudes of the past decade. We have passed from a period of unprecedented prosperity through a depression that has been unequalled in severity or duration.

Up to a certain point, the judicious use of credit results in an orderly expansion of business, with resulting prosperous conditions. Unfortunately, these very conditions ultimately engender a false sense of security and lead to credit abuse, which always terminates in chaos.

It is not fair, however, to deprecate the system of credit, but rather its administration. The remarkable advance in civilization could not have taken place without the expansion of credit. While credit cannot produce new capital, it facilitates the transmission of the elements of production, especially of capital, from one hand to another. Moreover, if the debtor employs business capital more productively than the creditor could have done, society is the gainer.

It is, therefore, evident that credit is a means of putting idle capital to work in productive channels and the compensation received by the creditor in the form of interest is a powerful incentive to frugality. However, credit, depending as it does upon confidence, is a most sensitive mechanism and there are many circumstances that can bring about its destruction. In periods of business ascendancy, credit is sometimes used as a means of fostering powerful schemes of production or of motivating unproductive and unwise consumption. Credit abuses manifest themselves in many ways, such as unsound banking policies, unbridled specu-



lation, issuance of fiat money, and other forms of undue credit expansion, which builds up a superstructure of credit on a flimsy foundation, which finally topples of its own weight as confidence wanes.

Credit abuse has as its offenders not only the businesses with whom the individual credit man comes in personal contact, but it is an evil that has besieged the world since the inception of credit dealings. The results of credit abuse have been evidenced during the depression through substantial composition of debt obligations by nations as well as corporations and individuals.

Our own Government was no exception when it devalued its dollar from one hundred cents to fifty-nine cents, and at the same time decreased the interest rates on its obligations. In many quarters the continued expansion of Government credit is of growing concern. Some may contend that it is not yet feasible to balance budgets, but

we know that eventually it must be done by every governing body, the same as it must be done by every individual who has any intention of maintaining a sense of obligation or who has the slightest conception of the meaning of credit.

In the late twenties we were told that there were new yard sticks of measurement and that in the new order we could have neither panics nor depressions. In the light of subsequent events, there has been a disastrous disillusionment and too late came the realization that the fundamental economic laws were as immutable as they had ever been.

It is becoming increasingly evident that we are gradually emerging from the economic bog that has engulfed us for a period of over six years. Whether the improvement shown is due to the inflationary practices of our Government or to the workings of natural economic laws is a matter of personal opinion. However, there is ample evidence that an inflationary base has been formed in the way of idle bank credit, which is capable of tremendous expansion possibilities, because one dollar of Reserve Bank credit would support a credit expansion by member banks of nearly ten dollars. Reserve balances will undoubtedly rise through Government spendings in the form of W.P.A. and relief outlays, agricultural payments, Soldiers' Bonus disbursements, together with "normal" Government spendings. If the inflationary spark should ignite, it is perfectly evident that it will tax the safeguards set up for its control. It might well lead to a repetition of the debacle of 1929 in the abuse of credit.

It is perfectly evident, therefore, that the dispensers of credit must main-

tain sane judgment and handle credit problems along orthodox lines. The credit executive has new responsibilities to shoulder and a trust that should not be betrayed.

The handling of credits should be along broader lines than ever before. Frequently the credit man is thought of as merely an individual in any organization who decides upon the worthiness of those who seek credit, and after it is granted is charged with the enforcement of the terms. Perhaps this conception has been justified in some instances, but the credit executive, to be of real service to his organization and to society, should perform a much broader function.

Vast sums have been expended by sales and advertising departments to help the customer expand his sales, but, unfortunately, little has been done to educate merchants along credit lines or of helping them in the managerial problems of their business. Each year thousand of merchants pass into oblivion and in many cases with substantial loss to the creditors.

In order to justify its existence, a business must fulfill an economic need. If it fails in its endeavor in this respect, it is a loss, not only to the community that it serves, but it also represents a loss of capital. To prevent such losses is one of the functions of the modern Credit Department.

There should be a crusade by the credit fraternity to materially decrease the appalling credit loss, which is simply wasted capital that could be advantageously employed in productive channels. With business expansion already under way, it is a situation that must be met fairly and firmly by the grantors of credit, so that increasing optimism will not be left to run unbridled and result in a debacle as severe or worse than that from which we are now emerging.

While the handling of credit cannot be reduced to an exact science, because of the human element, it can be directed along scientific lines rather than a mere guessing contest and the various ramifications of the National Association of Credit Men seek to attain just such an objective.

Great progress has been made in the way of preserving capital through fire preventive measures. In like manner, the greatest strides made by the medical profession in stamping out disease have been in the field of pre-

ventive medicine. Similar results can be attained in reducing losses in the field of credit, but it calls for resoluteness coupled with resourcefulness on the part of each credit executive.

There are many factors that contribute to the success or failure of a business. The matter of character is the first requisite, because dishonesty is an element that is as sinister as the proverbial thief in the night. In other words, an unprincipled merchant, actuated by the desire and intention of defrauding creditors, could in most cases succeed if it were not for the fraud preventive department of our National Association. The vigorous prosecution of such individuals acts as a deterrent to others tempted to ply such nefarious designs. It is, therefore, absolutely

The first J. H. Tregoe Memorial Prize Essay Contest came to a close late in May. Immediately the five judges of the contest began reading the manuscripts and at the Richmond Convention the ten winners in both Class A and Class B were announced.

This month we present the first prize essay in Class A — open to students and former students of the National Institute of Credit. Next month we will present the first prize essay in Class B — open to Junior and Senior students in colleges of business administration.

The winner in Class B was Ellis E. Inskeep of Dayton, Ohio, a senior at Ohio State University. Full details concerning all the winners, including their pictures, will be presented in the August issue along with Mr. Inskeep's essay.

essential that the individual credit man thoroughly acquaint himself with the antecedent history of the unknown applicant for credit.

Whether capital or capacity is the more important is as moot a question as the chicken and the egg. The statistics on business failures show that lack of capital is one of the greatest causes of business mortality. On the other hand, many of our largest enterprises have had their inception from very modest beginnings, and frequently it is possible to grant a business of small resources a larger credit accommodation than a business of large worth, simply because the owner has the capacity to work his capital intensively

and maintains the proper relationship between current assets and current liabilities, so that the paying end of the business can function with the same efficiency as the buying end.

A factor that should not be overlooked is that a business is no different than an individual in that it has its inception, growth, maturity, decline and death. It does not necessarily pass through the entire sequence, as death may occur at any one of the stages. This may be due to changing conditions which cause an industry to lose its capacity of filling an economic want or perhaps there is a change in management which adopts unwise methods or displays bad judgment. It is, consequently, most important that the trend of a business be carefully analyzed by the credit executive. A slowing up of payment, as indicated by an interchange report, should be a matter of immediate concern—in order to determine if the cause is transitory or if it is something more fundamental.

It should be remembered that it is no more natural for a properly financed business to be unable to meet its obligations than it is for an individual to be continuously sick. With the aid of a balance sheet and operating statement, supplemented by an interchange report, it should be possible to diagnose the ailments of a business the same as a physician diagnoses a human ailment, and then prescribe a cure.

If it is determined that credit is being abused, a frank discussion is in order. While most merchants are honest, nevertheless many honest people fail. Then there are those individuals who are habitual chisellers. Some make unreasonable demands for allowances, and in many cases without justification. Another growing tendency is the unwarranted violation of discount terms, which is but another form of credit abuse. It may take courage to discipline such offenders, but if there is concerted action on the part of the credit fraternity, the evils can be materially lessened.

In some instances of delinquency it is found that too large a proportion of the assets are of a fixed nature and this situation is more difficult to remedy than the more common ailment of too large inventories or receivables in relationship to sales volume. In some cases the merchant does not obtain a satisfactory mark-up or perhaps the expense of operation (Continued on p. 25)

Credit: a positive force

by O. E. DREUTZER, Credit Manager, The Alms & Doepke Co., Cincinnati, O.

On "George, you know Mary is finishing High School this year and Virginia will be graduating next year, and I would like to get the house fixed up—painted, papered and new furniture—also, a new car," said Mrs. Bascomb, as she handed her husband his morning coffee. "It means so much to young people to have a nice home in which to entertain their friends."

"Well, Mother, had you thought how much all that will cost?" said George Bascomb, as he glanced up from his newspaper. "I have the money in the bank to paint the house, it really needs it, and maybe paper it, but with my Spring bills coming due at the store, I do not see how I can afford to buy new furniture and a new car right now, maybe a little later we can do that too."

"But, Dad," pursued Mrs. Bascomb, "I want everything fixed up right at one time for once in our lives."

"Mother, I would love to give you everything you want, but I cannot see my way clear to spare that much money just now," replied Mr. Bascomb.

"Why can't you borrow the money?" continued Mrs. Bascomb. "You have good credit at the bank."

"Yes, I know, dear," said George, "but I want to use that credit to borrow the money to earn my discounts on my Spring bills, as I have always done each season for many years, and repay it from the receipts of the business as the selling season advances."

"Well, couldn't we let the discount go this one time, what difference will it make?" insisted his wife.

"I have always regarded my credit as my best possible asset and it is a point of pride with me to earn my discounts," replied Mr. Bascomb.

"Oh, Dad, don't be so stubborn, why have credit at all if you can't use it in a pinch?" This from Mary, the brown-eyed daughter of seventeen summers.

"Mary, you are too young to understand. Mother and I have worked all these years, not only to build up a busi-



ness and a fair living for you children, but a reputation as well."

"I know, Dad," said Mrs. Bascomb, and we are all proud of the way you have kept your bills paid, but this is a special occasion, and I don't believe it would matter if we let it go by one time. Sometimes I wonder if we are smart in always being so particular in paying our bills just on the dot. Other people seem to get along without taking the matter so seriously. I doubt if they think of us at all in the credit departments of these big houses, they just appear to take it as a matter of course, giving us no heed one way or another, and perhaps if we weren't quite so prompt they might give us a thought occasionally and appreciate our business all the more."

George Bascomb rose slowly and walked thoughtfully to his store. Perhaps Mother was right. Other merchants in his line right here in Dodds-ville seemed to be able to get all the goods they wanted from reliable houses, regardless of past performance and present credit standing. Even old Garrett, who made a compromise settlement with his creditors, and young James Nelson, who only two years ago actually went through bankruptcy, were both doing business at the same old stands, apparently in good standing

with many wholesale houses and offering stiff competition to merchants like himself, who have always discounted their bills and paid one hundred cents on the dollar.

"Of course," he said to himself, "I would never think of denying any part of my just debts, but maybe I could take a little extra time."

Ten years ago George Bascomb and his family had come to Dodds-ville from an adjoining county, where he had saved up a few hundred dollars as a country school teacher, and with this modest capital had established his general store in this middle western town of three thousand inhabitants. He managed his affairs closely and carefully and, with the assistance of his good wife, his business had grown until he was now the leading merchant of the town, doing an annual business of around \$25,000.00. He was also recognized as one of the solid citizens of the community.

George came from an honorable family. Good principles had been inculcated in him by a good father from early childhood. His business was the center of his existence, only second to his love for his family and his joy and pride in his two beautiful daughters. It was for them that he and his wife had worked early and late, always with the thought that they would be able to give their children advantages and comforts that they, themselves, had been denied in their youth.

As he sat down behind his desk to look over his morning mail, he was thinking that perhaps he had put too much stress on the preservation of his credit standing. The world seemed to be changing. No one appeared to take such things seriously any more, as he and his father before him had done. "Get what you can while the getting is good" seemed to be the motto these days.

He was engrossed in deep thought as he looked over the assortment of mail. Here a card from an Eastern ready-to-wear firm, there a circular

from a Chicago clothing manufacturer, circulars from various firms to be laid aside and read later. A letter from Jones & Company offering a special on canned goods arrested his attention and brought him back to the routine of business. "Want to make a note of that, my stock is running low." A letter from a St. Louis shoe house. "Am expecting their salesman this week with his new Fall line and I am going in for a little better stuff this year, the trade demands it. Here is another letter from my hardware house. That reminds me, I need a keg of wire nails. And by the way, here is a letter from my dry goods house in Cincinnati. Wonder what they are writing me about. Maybe it is that quotation on blankets for Fall delivery."

As he opened this particular letter, however, he noted that it was from the Credit Department and not from the Sales Department this time, as he had expected. He wondered for a minute if there was anything he had overlooked in connection with his account, but as he read on, his face brightened and his head lifted with pride and he picked up his hat and rushed back to the house. His wife looked up from her pan of breakfast dishes and said, "Why, Dad, what are you doing back so soon? Is something wrong at the store?"

"No, it is not that, but I have brought you a real answer to the question under discussion this morning. A letter such as this from a house with whom I have had such pleasant dealings over such a long period of years means more to me than all the luxury that this entire community might afford."

And with this, he proudly exhibited the following letter over the personal signature of the Credit Manager of one of his largest sources of wholesale supply:

My dear Mr. Bascomb:

I seldom, if ever, have occasion to communicate with you in the regular course of business for the reason that your account does not necessitate correspondence from the Credit Department, so I wish to step from behind my desk at this time and speak to you personally for a moment and tell you just how much you have helped me in my particular field of activity for the house during the past year, as in other years, by the promptness with which you have followed your maturities and the consistency with which you have earned your discounts through both good times and bad.

Your splendid performance has been an inspiration for finer and higher achievement and has quickened my ever confident faith in the rightness of human purpose.

I trust we have merited your continued consideration as you have merited our high regard and enduring confidence, and that we may rely on your wholehearted support in the future as in the past, for bigger and better things to come.

With my personal regards, and hoping that 1936 may be the banner year of your entire history.

Sincerely and gratefully yours,

Taking off her glasses, Mrs. Bascomb wiped the tears from her eyes and said, "You are right, George, and I was all wrong this morning. That letter is worth all the sacrifices we have endured and we surely can't weaken now. After all, by not taking the chance of diverting from our course, Mary and Virginia may be assured the permanent luxury of a finished college education."

George Bascomb and his family are, of course, fictitious characters, *but the letter was real* and the incident could have occurred. George Bascomb, however, typifies the backbone of American business and he is one of those units

of moral force that held the framework of the economic structure together, through the longest, and perhaps the most severe financial depression in the history of business, yet even he appeared to be tempted in a moment of weakness.

The specter of repudiation in high places, even by the leading powers of the world, set a sorry example to the neighborhood store and the crossroads merchants in recent times of stress, and the line of the least resistance was, to them, often tempting, especially when this period of emergency seemed to, in a manner, justify if not invite departure from established principles previously maintained at all costs, and when, from the vantage point of the credit desk, was witnessed this great battle of conscience, a timely word of encouragement may have changed the whole course of events in many instances for the preservation of both character and capital and the prevention of moral and financial disaster.

The ledgers of every distributor of merchandise carry the accounts of many "George Bascombs". In fact, I venture to say that "George Bascombs" predominate even in the worst of times, yet just to what extent is this

The Alms & Dörpke Co.
Cincinnati

Executive Office

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With my personal regards and hoping that 1936 may be the banner year of your entire history.

Sincerely and gratefully yours,

CREDIT MANAGER
WHOLESALE DIVISION
THE ALMS & DÖRPKE CO.

type of debtor given due recognition by the average credit executive? In what manner is he inspired and encouraged to carry on? Incidentally, who knows but that some of the "Garretts" and "James Nelsons" might have been "George Bascombs" if in their early efforts they, too had been given a word of appreciation not only for their business, as evidenced by orders, but for the satisfactory results of their efforts in paying performance as well, by the credit and collection departments?

The credit man is prone to take to task the slow pay customer for his failure to perform according to terms, and quite properly so in most instances, but by the same token, why should he not be equally alert in giving due recognition by spoken or written word to those who, in the reverse order, are consistently prompt in retiring financial obligations?

I do not by any means advocate the exploitation of the credit department through either loose credit or undue liberality in terms of sale, and cannot condone such use of its sacred functions, but I hold, with all sincerity of conviction, that with the facilities at his command in the formidable position which he occupies at the very nerve center of business, the credit executive is afforded an admirable opportunity for constructive aid in the development of sales volume in a most substantial way over definitely proven avenues of distribution.

Neither would I have you believe that it is my idea that we should go around thanking people for not doing wrong. We are all, of course, supposed to try our best, of our own volition. So it is in business, yet a word of inspiration goes far indeed in helping any good cause along.

Our first activity along this line was through a personal word here and there to the prompt paying customer whenever opportunity so afforded on the sales floor of the house or otherwise, "I was glad to get your check this morning, Mr. Jones, and happy to see you holding your own so well during these difficult times." or "Your account is in fine shape, keep up the good work, Mrs. Wilson, we are proud of you." and so on, a word of encouragement here and there, all down the line with invariably a smile of pride and gratitude in response to such words of individual recognition.

We even made visits into the terri-

tory itself, carrying a message of good will and confidence to all customers both weak and strong and making community surveys as well as personal contacts for the purpose of constructive assistance where it might be needed in our service to the trade of our territory. This preliminary work all led up to the letter of recognition designed for those of our customers who had usually, if not always "kept the faith" and from all indications either had "weathered the storm" or were properly organized to do so.

"I would rather have had that letter I received from your Credit Manager this morning than a thousand dollars in cash." So said Mrs. John Martin, owner of a local neighborhood store when our salesman made his regular call that day. This was after the release of our third annual letter this year, such as received by George Bascomb in the introductory sketch. Mrs. Martin's letter comments were typical of many other personal expressions of response from our trade both far and near, a few of which I quote in part as follows:

"The letter of commendation regarding the manner in which we have cared for our account during 1935 and other years has reached us just as we have rounded out our forty-four years of continuous business. In paying promptly, we are doing what is right and just, but at the same time it is fine to know that some house gives due recognition and appreciates this effort."

"It has always been my policy to try to make good my obligations according to terms and I trust I will always merit the same confidence and high regard from you in the future as in the past."

"Your letter of appreciation came at a very fitting time as I was closing out my business to my son who has been employed by me as manager for the past ten years. I bought my father out in 1891, and it sure is gratifying to receive such a letter at the close of a long and honorable business career in the evening of life. My son will continue my policies and business principles as I followed those of my father before me, and your letter has well served a good purpose as an additional incentive to him in so doing."

These "good will" letters from the Credit Department over the personal signature of the Credit Manager opened the way for better reception of our salesmen in many instances, and our traveling and city salesmen, without exception, were strong for the idea from its very inception. Their thoughts on the subject can be best judged by quotations from some of their written

expressions of approval immediately after the release of the last of the series.

An excerpt from the letter of one of our leading salesman in Kentucky:

"You are to be commended not alone on the thought and good will as expressed, but the business foresight as well."

Another from Indiana:

"Am sure this is a progressive move and it will go a long way in strengthening a bond of friendship between our house and these customers."

Then, another, as follows, from a representative up in Ohio:

"Let me say that this letter has had wonderful reception, and those receiving it have been more than proud to show it to me."

Then, from one of our men out in Illinois:

"Your nice letter to the various deserving accounts was one of the outstanding happy thoughts that one encounters only a few times in a lifetime, and very fittingly ties into our other connections with the best of our trade."

The credit executive usually devotes a considerable part of his time and attention in a defensive way against the undesirable or weak account, which is probably as it should be, but it does seem that he would be rendering an equally important service to the work of his department as well as the sales interests of his house by assuming the offensive in diverting business from speculative avenues into strong places where less credit restriction is necessary and less time and effort required in the recovery of money for goods sold.

After all is said and done, profit is the sustaining incentive of all business, large or small. However, it is a self-evident fact that earnings are in theory only until the final recovery of money is actually accomplished. In other words, the real profit is "wrapped up" in the receivable account. Then does it not logically follow that it is quite as much to the point to give some form of expressed appreciation for prompt settlements as it is to offer the customary words of thanks for the order itself at the inception of the transaction?

The system, in practice, in connection with our own wholesale operations, has truly proven its value and I am convinced that the plan affords one of the most important opportunities of the Credit Department in any field of business endeavor the most constructive force in this scheme of distribution.

The next forty years

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

CThe world today is a different world from that which existed forty years ago. And we face an intensely interesting forty years ahead. Having developed production to the degree that we have we shall, I am sure, increasingly direct our attention to the forces of distribution. The utilization of scientific development in the field of machinery during the last quarter of a century has merely added to our productive personnel approximately 6%, while our distributive personnel has increased for the like period ten times that amount. The entire history of the nation reveals that the utilization of machinery has constantly brought to us a higher standard of living, but it is just as clear in its revelations that if we do not give equally sound thought to other economic forces we pay the penalty of having serious maladjustments.

The lazy and indolent, yes, the hopeless and cowardly, suggest that the machine development demands policies of restriction and control. With millions throughout the world suffering for want of food, with many of our people in this land not even reasonably well satisfied with the comforts of life, those who follow this school of thought, through mis-conception, would check the forward march of civilization itself.

When you consider that for the year of 1934 this nation produced only one pair of trousers for every three males over the age of 15, one overcoat to each 11 men, a woman's dress for each three women, is it not ridiculous to say that we in this nation must restrict our productive forces? The answer is not in the restriction of productive forces but in giving the same careful thought and attention to making it possible for the consumer to satisfy his wants, which in turn will call for an output many times the productive capacity of our present industrial organization.

The next forty years will certainly

record a productive output so tremendously greater than any peak heretofore established that those who would restrict production will find their theories of today used as a byword, by future generations, for things that are ridiculous.

The answer to the machine-age problem is a constantly increased production at lower unit cost so that while money wages are reasonably maintained, the lower unit cost will provide labor with a real increase in wages through its ability to purchase more units of goods. One need but look at the automobile industry, an industry that has demonstrated time and again the fallacy of restricting output. Today, through the utilization of machinery and science in its development, the automobile industry makes available to the average man an automobile much superior to the product tendered two decades ago—and at about one-third the price. Yet the salaries and wages of the automobile industry have grown and the industry itself has contributed to a higher standard of life.

Unless we are going back to the dark ages and into a state of feudalism, the next forty years will, through common sense, outlaw restrictive policies. But in outlawing these restrictive policies we will insure freedom of natural economic laws so as to make it possible for us to reach our objective of larger production to supply the needs demanded by a higher standard of life.

Just as natural economic advantages, following scientific discoveries, built up our cities and concentrated our people into certain communities, so this same science, ever alert, ever dissatisfied, is now moving us toward decentralization. The facility with which power is transmitted, the ease of communication, the adequacy of transportation means that the future industry of this nation will not be segregated in the large cities. There comes a law of diminishing returns when it is economically dis-

advantageous to be in a large city. It would be well for us to realize that in our early days when the foundations of our government were so firmly laid our people were not concentrated in cities. This very environment certainly had great bearing on their freedom of thought and action. Our goal ahead should be to bring a similar freedom of life in so far as it is possible in congested districts through slum eradication, recreational facilities and other constructive programs. Beyond this, decentralization will in time check the further growth of congested areas.

On the human side in industry, the next forty years, and this is no soapbox political philosophy but merely part of the inevitable trend that is as certain as the rising and setting of the sun, will find industrial management as much concerned with its responsibilities to labor as it has been to its stockholders. The growth of industry destroyed some of the personal relationship existing between labor and management. The cost of that destruction can never be appraised. Some broad-visioned executives, be it said to their credit, sought to meet this condition by pursuing a policy of sympathetic cooperation with their employees.

But there comes a point when an industry grows so large that it is difficult to find an adequate substitute for the direct person-to-person contact. Since there must be large industries—and economically, particularly in certain fields, there should be large industries—this labor-management relationship will be analyzed and dissected until a satisfactory solution is found. If an employee were taken ill, under the old order of things when industry was small, likely at his bedside would be found the proprietor of the business. Modern industry today may furnish him a nurse, and while it may be all it is possible to do, you can well understand which attention bespeaks the greater personal interest.

As a further illustration of the problem, let us not overlook one of the strong influences that helped mold a close and satisfactory relationship between employers and employees before our businesses had developed to these large proportions. In a small industry, within a small community, the success of a proprietor of a business was just as much appraised upon his relationship with his employees as upon his balance sheet. If he were a proprietor who did not handle his employees well the community, indirectly perhaps, but no less certainly, would cause him to know that in the eyes of his fellow townsmen, despite his strong financial statement, he was woefully weak in attributes that helped make up a strong man.

These and other problems will be solved by industry during the next forty years if only industry is given an opportunity to solve them. In this drive for a higher standard of life, for the comforts and peace and happiness of a life that we all so strongly desire, let us bear in mind that we cannot and must not handicap industry with untold burdens if we expect it to give a good account of itself.

Forty years from today the growing cornfields may not necessarily mean a crop for human or animal consumption. The scientific forces that have been concentrated in the industrial world may well, in part, be veered in the direction of the agricultural field. Human wants the world over are far from being satisfied today. But unfortunately the world seems to have neither the spirit nor the intelligence at this time to launch a cooperative effort to bring about a standard of living that would increase human food consumption to such an extent as to force agricultural production far beyond any peaks it has established.

If even one-tenth of the money, which has been spent in foolhardy panaceas to bring to agriculture the much heralded parity with industry, had been spent for scientific research, the fertile fields of agriculture, I am sure, today would lie in the shadow of the factories for which the soil would yield raw material.

There must be a measure of adversity in all human problems. Unless we have it we do not march forward. It took darkness to produce the lamp, railroad accidents to produce safety

signals, cold to produce protection for the body; even a kite is suspended in the air by the contrary and opposing factor of the wind pressure—for without the wind it could never rise.

I would not for a moment belittle the suffering nor deny to the workers in agriculture the decent standard of living they so richly deserve. The agricultural states form the very heart—geographically and economically—of our national body. The problem in agriculture is not new. We are somewhat inhibited in finding its solution by memories of the price structure during the dark days several years ago. We have forgotten that during part of the 1890s corn sold at 8c a bushel, cheap enough to be used, as it frequently was, for fuel. Hogs were high at \$1.00 a piece. Yet agriculture emerged from these trying times to enjoy a rich prosperity.

The next forty years will see American agriculture upon a sounder basis. There will be less pleading for subsidies, more pleading for freedom of operation. There will be less plowing under, more harvesting. There will be less injudicious credit to keep alive inefficient, marginal farming, and more sound credit to intensively develop the fertile areas. There will be less robbing and more enriching of the soil through scientific fertilization. There will be less drudgery, more leisure. And, considering the human element, there will be more regard for the immortality of credit and less regard for fleeting moratoriums.

Credit possesses a genealogy by individuals, by groups, and by nations. The farmers will be interested in improving the genealogy of their credit so that their children and their children's children may have a credit record that will command an ability to satisfy their legitimate credit needs.

If agriculture will give its thought to these problems it has a right to demand that business, particularly in the transportation field, move towards a more scientific approach of rate structures, for it cannot be denied that irrespective of cost of service we have been lagging in our endeavor to solve the farmer's transportation problem. Some of the rate structures, too archaic for our day, need overhauling.

In the field of transportation we find a slow awakening of leadership. Just what that will mean in the course of

the forty years no one can tell, but this we know, that transportation will contribute to the greater happiness and comfort of life.

Gloom dispensers tell you that there are no more new frontiers, that the land has all been settled. The next forty years will have buried them and their prophecies of doom in forgotten fields. Science has just begun to find itself. The modern home of the future will be better and less costly. Imagine, if you will, bringing to the construction industry the same scientific application that has been given to the automobile industry. It is no idle prophecy to suggest that forty years from today a more attractive, more modern home will be built at a cost of approximately 50% of the cost of a home of equal size and proportion in our day and age.

If I were to plumb the depths of the soul of every man, woman and child in the world and read what is foremost in their hopes I would, I unhesitatingly say, find it to be not the desire for an accumulation of money or power, but rather the desire of security. And this is a laudable ambition, for life with reasonable security assured would be indeed a much more pleasurable one. The average man and woman is entitled to security, but the average man and woman must realize that the basis of security, can only mean the ability and the determination to earn it. Unearned security has always proven a bubble bursting again and again in the history of various nations, bringing havoc and suffering to all of those who espoused the cause.

The security that should be the goal of the people of all nations, and the governments of these nations, should be such as will reward, in their advanced years, those who have been industrious and thrifty. When you take away the relationship between the security given and the labor spent in attaining that security, you not only make for insecurity but you destroy one of the essential foundation stones in the fundamentals of economics. You can legislate a plan for security but unless you earn the security sought by the legislative plan your legislation will be a mere gesture. I repeat, you cannot legislate security—you can and will earn it.

Labor will secure shorter hours in the forty years ahead but such a boon

1776-1976:

"Forty years from now this nation will be celebrating its 200th birthday. At that time we will do well to make an appraisal of our contribution to civilization. Our present program should be one which would insure our continuous social, economic and political advance."

Effect of Machinery:

"The entire history of the nation reveals that the utilization of machinery has constantly brought to us a higher standard of living, but it is just as clear in its revelations that if we do not give equally sound thought to other economic forces we pay the penalty of having serious maladjustments."

Low-Cost Production:

"The answer to the machine-age problem is a constantly increased production at lower unit cost so that while money wages are reasonably maintained, the lower unit cost will provide labor with a real increase in wages through its ability to purchase more units of goods."

Decentralization:

"Just as natural economic advantages, following scientific discoveries, built up our cities and concentrated our people into certain communities, so this same science, ever alert, ever dissatisfied, is now moving us toward decentralization."

Industry Burdens:

"In this drive for a higher standard of life, for the comforts and peace and happiness of a life that we all so strongly desire, let us bear in mind that we cannot and must not handicap industry with untold burdens if we expect it to give a good account of itself."

must be evolutionary, not legislative, if it is to be beneficial as well as lasting. What a pity it would be if Labor actually secured the goal through legislation, for in that event it would be evanescent—here today but surely gone tomorrow. A cooperative attitude toward business will mean that in the forty years ahead, just as in the two score behind us, business, in recognition of its economic duty, and because it is economically sound, will seek to accomplish a shorter working week.

Price Fixing:

"Government regulation will follow any attempt at price maintenance just as certainly as night follows day."

Agriculture's Future:

"The next forty years will see American agriculture upon a sounder basis. There will be less pleading for subsidies, more pleading for freedom of operation. There will be less plowing under, more harvesting. There will be less injudicious credit to keep alive inefficient, marginal farming, and more sound credit to intensively develop the fertile areas. There will be less robbing and more enriching of soil through scientific fertilization. There will be less drudgery, more leisure. And, considering the human element, there will be more regard for the immortality of credit and less regard for fleeting moratoriums."

Security:

"You can legislate a plan for security but unless you earn the security sought by the legislative plan your legislation will be a mere gesture. I repeat, you cannot legislate security—you can and will earn it."

Vacations:

"The workman is going to be accorded his annual vacation with pay, for it is as essential that his mind and muscle be given a resting period as it is for those who are principally occupied in mental assignments. Nor will these periods of rest be considered, in the light of future analysis, as fun periods. Rather they will be recharging periods where a change of environment will restore the human battery to its full strength."

Monetary Stability:

"Let us hope for, and certainly a suffering people should and will demand, the essential political solidarity in European countries which will form the foundation for monetary stability. Without political stability you cannot secure monetary stability. And international monetary stability is too important to be the football of nationalistic politics."

But it will come through an evolutionary process.

We must confess some maladjusted factors for those engaged in direct production, compared with those engaged in other fields such as the distributive and professional fields. The workman is going to be accorded his annual vacation with pay, for it is as essential that his mind and muscle be given a resting period as it is for those who are principally occupied in mental assignments. Nor will these periods of

rest be considered, in the light of future analysis, as fun periods. Rather they will be recharging periods where a change of environment will restore the human battery to its full strength.

Labor during the next forty years will more and more come into its own. It will share most generously in the rewards of the future. That is one of the inevitable trends. I feel certain that within the next quarter century the development of the policy of employment of labor upon a yearly basis will be launched in many industries and when that is accomplished much of the uncertainty of life will have vanished. Old age pensions, sickness and health benefits are but in their infancy. They will be a part of the future program and if they are handled in sound fashion and conservatively scheduled, business should and will cooperate.

There must of course be broader thinking in labor leadership, just as business must have a broader understanding of the problem of labor. The next forty years should develop a better understanding by labor of the problems of industry and by industry of the problems of labor.

International business should find the next forty years of tremendous significance. This period of time should effectively expose the foolhardy restrictive and nationalistic policies. Trade balances, favorable and unfavorable, will be terminology cast into the days of ostrich thinking. The only favorable balance is no balance and where necessary to produce this equation by way of restraints or other temporary means, the consequence of repudiation will have long since disclosed itself and faith, confidence and performance will have been instilled into nations as the three essentials of international trade. Nor will this realization be a sham due to the exigency of impending conflict. These lessons will have to be learned in the calm and quiet of trade experiences. War itself will be recognized as a temporary trade palliative which eventually destroys the patient.

Let us hope for, and certainly a suffering people should and will demand, the essential political solidarity in European countries which will form the foundation for monetary stability. Without political stability you cannot secure monetary stability. And international monetary stability is too important to be the football of nationalistic politics. (Continued on page 31)



Paste-pots and pins

by W. RANDOLPH MONTGOMERY, Counsel, N. A. C. M.

EN Visualize, if you will, a group of lawyers (perhaps in the employ of a government department or agency) working under pressure to jam through a legislature some piece of highly technical and complicated legislation.

A rough draft of a proposed bill has been prepared. Various amendments to the draft are suggested by one or more of the group, and hastily drafted. A number of people have been engaged in the work, and spread over the table is the result of their combined handiwork.

With the aid of scissors, paste-pot and pins the original draft and the amendatory clauses are slapped together.

"Where is rider X?" It can't be found. "Draw a new one." The missing rider is replaced.

Finally the job is done and the wearied draftsmen call it a day, and let the legislature do the rest. The bill

is rushed to the printer. Tomorrow it will be introduced, referred to a Committee, reported out, and passed.

Nobody has noticed until it has become law that "Rider X" was already in. Now it is in twice—in slightly different phraseology. So are Riders "C" and "M." Are the duplications harmful? Are the clauses contradictory? Well, what of it—the courts can straighten out the inconsistencies!

Thus have measures been drafted and passed, all too frequently, in mad haste to meet an alleged emergency! "Paste-pots and pins" to the rescue. But what of brains, mature consideration, careful phrasing? What of the constitutional questions involved? What of the economic effect of the law so hastily concocted?

From many years of experience in drafting legislation, I have learned that there is no more exacting work, if a satisfactory result is to be achieved than this business of tampering with the law.

If the statute is to be national in scope the problems are multiplied forty-eight times. What appears to be a solution of a problem in New York may create chaos in Alabama, and vice versa.

I have not overstated the case. If you doubt my word, examine Chapter VIII of the Bankruptcy Act, recently enacted. Perhaps you are a "farmer" as defined by Congress, and are a resident of some county you never heard of. You are, if the principal part of your income is derived from a corporation principally engaged in farming or dairying. And this: "The Supreme Court is authorized to make such general orders as it may find necessary properly to govern the administration of * * * proceedings under this section; but any district court of the United States may * * * in the interests of justice, permit any such general order to be waived"! Incredible—but there it is in Section 75.

And this: At the present session of

the New York legislature, two acts became law on successive days—one amended the law to prohibit trustees from investing trust funds in mortgage participation certificates. The other—one day later, reenacted the old law with amendments which *did not include the prohibition of the day before*. What is the result? What was intended? Let trustees now proceed at their peril, until the Court of Appeals decides. Again, one of our legislatures recently *amended* a statute that had been *repealed* four years before.

Instances could be multiplied ad infinitum, and laymen are presumed to know the law—all of it, including the thousands of pages of new statutes that are annually turned out of our forty-nine state and federal legislative grist mills.

And yet some people advocate restricting the power of the courts to declare unconstitutional statutes so conceived and so drafted! They would rely upon the good faith and judgment of the legislature to confine its enactments within the scope of the fundamental law, and trust to a benevolent Providence to see that nothing is done which will destroy the rights of free speech and of the press, of religious freedom, and exemption from unreasonable searches and seizures. Let us concede that the legislatures would not intentionally destroy the bill of rights. Legislation concocted with paste-pots and pins and rushed to enactment would *inevitably* destroy those rights and immunities for the guarantee of

which wars have been fought and martyrs have died. "But," people argue, "England does not permit its courts to override the acts of parliament, and they have no trouble there. In England freedom is as absolute and as assured as here." Yes, but England has her Magna Charta, and a government which intruded upon the established rights of the people could be turned out of office within a few weeks of its transgression—while our legislators are elected and hold office for from two to four years!

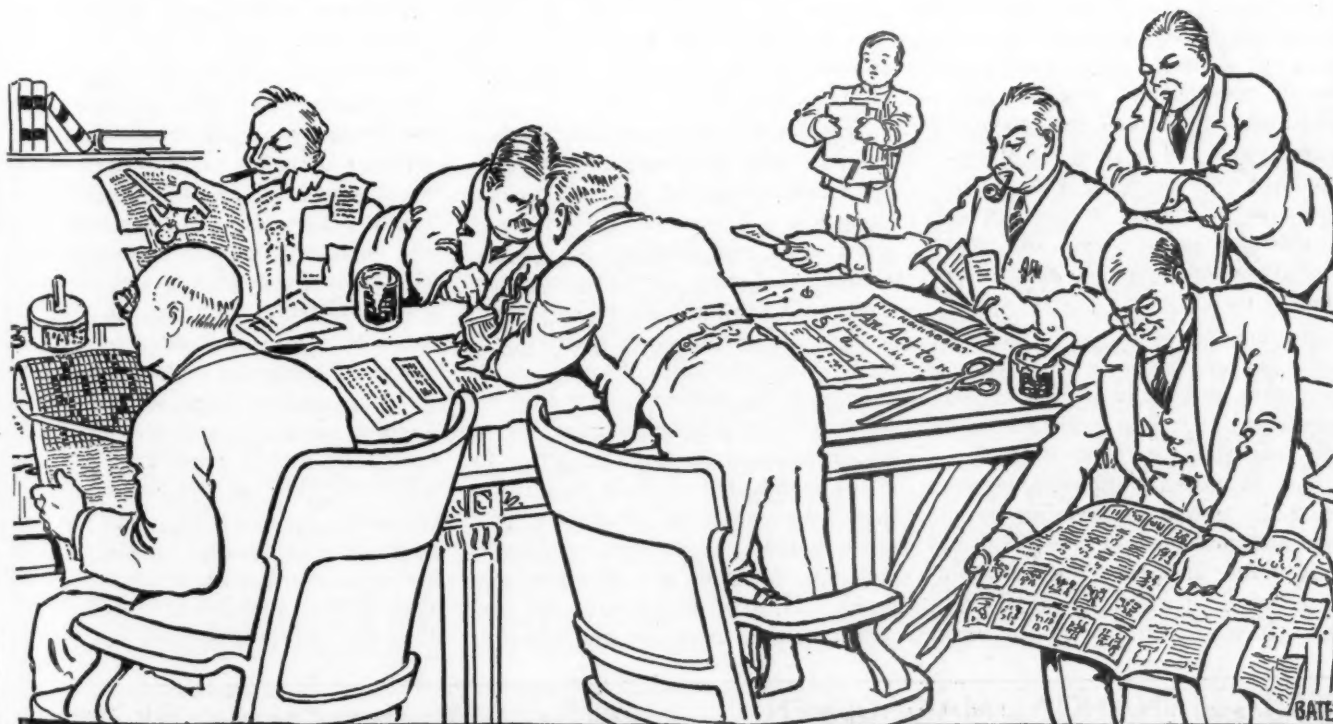
But ill-considered legislation is not exclusively the fault of the legislators. The citizens themselves are often to blame for failing to give the legislative committees the benefit of disinterested and impartial criticism of proposed measures. It is seldom that an opportunity to be heard will not be afforded if seasonably requested. Such requests are often made by those whose pocket-books are directly affected, and by those who are seeking special privileges for themselves. But, there is no organization that can be depended upon to study thoroughly and digest all proposed legislation, and to give to the legislative committees disinterested help, except as that function is sometimes performed by bar association committees. Business men are not doing the job, and it is their aid which is most urgently needed and which would be most helpful, for they alone can properly appraise the economic consequences of proposed enactments.

I venture to say that a critical anal-

ysis of existing statutes of the states and the federal government by a qualified cross section of business men would result in a report that would reveal a startling conglomeration of rules, regulations and prohibitions that are costing American business men thousands of dollars annually.

Take for example the complexities of franchise tax reports required by the several states. No two of them alike—few requiring the same figures or covering the same accounting period. Why not inter-state uniformity here at least? Why not a concerted effort to further the laudable work of the Commissioners on Uniform State Laws, which progresses all too slowly? Business today is mostly inter-state, and uniform state laws affecting business transactions means dollars in the till by avoiding losses caused by the crazy-quilt of state legislation.

I do not, of course, mean to imply that all legislation affecting business is ill-conceived or enacted without proper expert consideration and advice. The work of the Commissioners on Uniform State Laws, which I have alluded to above, is an outstanding illustration of the scientific approach to legislative drafting. The Commissioners meet annually, and the work done by the Commissioners in the interim between meetings is thoroughly dissected and analyzed, and draft after draft of the proposed bills are printed and circulated and subjected to the test of criticism by qualified attorneys and business men (Continued on page 30)



Casualty insurance and

by HENRY SWIFT IVES, Special Counsel,

Credit is the life blood of business. It is the world's greatest promoter and builder. It builds railroads and ships; constructs canals and highways; erects factories and homes; fashions automobiles and locomotives; supports agriculture and mining; is the foundation of banking and insurance; maintains governments and monetary systems; wages wars and sometimes stimulates revolutions. The value of stocks, bonds, mortgages and securities of every description may be appraised in terms of credit. All accounts receivable or payable on all the ledgers of the world are a part of the credit picture.

Indeed, the greatest incentive to the world-wide exchange of commodities, which has characterized the economics of the last century, has been the modern system of commercial credits. It is international in its scope and civilization may be judged by the extent of its use.

On the other hand, the institution of insurance is the bulwark of credit. The marvelous development of the credit system would have been possible only in a limited way, had it not been for the safeguards offered to capital by insurance. If adequate and certain protection to persons and property against the social and economic consequences of uncertainties and misfortunes suddenly should be eliminated, credit soon would revert to its ancient status and only be extended on a pledge of definite property accompanied by usurious interest rates.

Insurance, in other words, has taken credit out of the pawn-shop stage of its history and made a great department store of it where all the world freely may shop.

This intimate relationship between the credit system of carrying on the trade and commerce of the world and the insurance business is the most notable economic partnership of modern times. In the foreground stands credit,

developing, building, creating; in the background stands insurance, extending protection in all cases to which its principles may apply to that which has been or is being developed, built or created.

It is said that 95 per cent of all business transactions in civilized and well organized communities involve credit in one form or another. This undoubtedly is no exaggeration. Barter as a trade method practically is extinct. Even cash transactions today involve credit, the credit of the government issuing the money. Credit, of course, is based on mutual confidence and character, on the belief that man will keep his word. It is extended on the expectation of future payment for property transferred, or for the fulfillment of promises given. It may be hedged by restrictions, by the deposit of securities, or the giving of mortgages, by adequate insurance protection or safeguarded by other means.

In the last analysis, however, these instruments or pledges are themselves to a large extent dependent upon credit for their value or the security they may offer to the creditor. And so credit will be found at the bottom of our vast commercial structure no matter how deep you may dig.

Insurance itself is largely based on credit. When the credit of a company becomes impaired that company becomes insolvent. The policyholder, in a word, must rely on credit for his protection. Likewise, the insurance company must rely on the credit of others in order to safeguard its patrons. It must extend credit to those whose securities it buys, securities held in reserve for the ultimate payment of its obligations. If it would maintain its credit unimpaired, it must be satisfied that these securities are sound, that those issuing them are worthy of credit and also that they are adequately insured. If these investments for any reason fail, the insurance structure will

trotter and policyholders and stockholders both will suffer.

The complexities of the situation, however, do not end here. Those who issue the securities upon which insurance companies and their policyholders must depend of necessity extend credit to still others in a similar manner, and so on ad infinitum. And thus the endless chain of economic relationships is forged, with credit and insurance forming part of each link. The chain girdles the world; it unites all economic systems; it holds together all industrial development.

It is not my purpose to discuss in detail this amalgam of insurance and credit. The fusion is so apparent that no complicated analysis is required to reveal it. I am sure that you all understand the fundamental principles involved, and are thoroughly aware of the interdependence of these two great modern institutions. My task here primarily is to demonstrate that those who have to do with the administration of the system of commercial credits have not taken full advantage of all the opportunities insurance affords for the mutual protection of both creditors and debtors.

It is obvious that the things which may happen to a debtor to prevent him from meeting his obligations are almost without number. Hardly any transaction involving credit is risk free or can be made risk free. A creditor cannot, of course, protect himself against all future contingencies, and this also applies to debtors interested in preserving their credit and solvency. Some of these risks are so remote as to make insurance against them unnecessary or impractical; others will not justify the outlay required to guard against them. Also, all risks in business cannot be eliminated by insurance. Some are unavoidable. Others may be mitigated in a variety of ways not involving insurance. The institution of insurance, however, rapidly is devising new meth-

suretyship bulwark credit

Association of Casualty and Surety Executives

ods of risk bearing, all of which have the effect, if properly employed, of making the commercial structure more secure.

The famous three C's of Credit are: Character, Capacity and Capital. Of these, Capacity in part well might be measured by an insurance yardstick. No debtor fully can qualify under this designation unless he has seen to it that both he and his creditors are adequately protected by insurance against all insurable accidents and misfortune which reasonably might be anticipated, and which, in the case of their happening, might impair his credit.

On the other hand, credit executives owe it as a duty to those they serve, to debtors and to business generally, to require that each debtor take every necessary and proper precaution through insurance to safeguard not only himself and his property, but also those who have trusted him. If this rule should be appropriately enforced and if the institution of insurance was given the opportunity of rendering full service in all such situations, I do not doubt but that there would be a sharp and material reduction in commercial failures in this country.

For many years fire and marine insurance, and allied lines, held the center of the stage in all discussions involving the relationship between insurance and credit. Ample fire insurance on the property of the debtor long has been considered of vital importance in the commercial field. In 1911, a committee of the New York legislature made a study of fire insurance and reported as follows:

"The credit system is founded on the institution of insurance; without insurance it would be impossible to get a loan on a cargo of wheat, or to mortgage a house, or for a retailer to buy on time payment a bill of goods from a wholesale merchant. Insurance is the foundation of the modern credit system, and by just so much as the welfare of society is founded on the free operation of credit by so much is the institution of insurance of importance to

the public, quite aside from its value in actually distributing loss."

This statement, of course, refers to fire and marine insurance. It might well be applied today with equal force to casualty insurance and suretyship. Twenty-five years ago, these types of insurance were developing rapidly but had not as yet attained a commanding position in the commercial world. Today they are an indispensable factor in the business and industrial affairs of the nation. Fire and marine insurance naturally still retain their position as a bulwark of credit, but more and more it is becoming apparent that the strength of fire and marine insurance must be supplemented and fortified by casualty insurance and suretyship in order to make the commercial credit structure more secure.

The reason that casualty insurance and suretyship have in the past often received scant attention from credit executives is because of their youth. This business indeed is a precocious infant compared to its venerable insurance ancestors, fire, marine and life insurance. But so rapidly has it grown and so prodigiously has it expanded in the few short years of its life, that today more premiums are collected by the multitude of lines properly coming within the casualty and surety classification than by fire insurance. In 1900, the total premium income in the United States of those underwriting casualty and surety risks was only \$26,700,000. In 1935, the total was \$935,500,000. This is a 3500 per cent increase in 35 years, probably the most remarkable insurance achievement on record; and ample evidence of the fact that casualty insurance and suretyship are absolutely essential to the carrying on of the work of the world.

This business, indeed, is today perhaps more closely interwoven into the fabric of American trade and commerce than any other kind of insurance. It also has opened up a wide field in the

safeguarding of individuals and their property. It protects persons and property against an almost infinite variety of hazards and uncertainties created by the social and mechanical complexities of our civilization. This business also is constantly increasing the scope of its jurisdiction, and constantly is being called upon to meet new situations and new conditions growing out of the kaleidoscopic changes in our manner of living. Mechanical developments, improvements in transportation, the automobile, the airplane, the radio, and a host of other similar devices have opened up within the last few years fields for casualty insurance and suretyship hitherto unthought of.

In addition the rapid alteration of social and economic viewpoints, together with the steady increase in laws placing new liabilities and new requirements upon citizens, either in their individual or corporate capacities, all have tended to establish casualty and surety insurance as an economic necessity. That this business has met the demands made upon it for new and strange forms of protection cannot be denied; and it is equally certain that it has tilled only a small corner of the vast field allotted to it.

Under the circumstances is it any wonder that the business of casualty insurance and suretyship should be more and more recognized as a bulwark of the credit structure? It has the facilities, the competence and the skill, backed by expert knowledge and experience, to perform a real and useful service in meeting the demands of credit executives for certain protection of debtor accounts. It has the capacity to provide safeguards against a multitude of contingencies which can be reached by no other types of insurance.

There are so many types falling within the casualty and surety classification that it is impossible to enumerate them, describe them and point to the value of each as a credit bulwark.

Obviously such important lines as workmen's compensation, automobile liability and property damage, the multitude of public liability coverages, plate glass, burglary and theft, boiler, machinery and credit insurance often provide protection which marks the difference between solvency and insolvency. In addition, surety bonds and fidelity bonds are in the same category.

The business of suretyship is almost as old as recorded history, but corporate suretyship is a comparatively recent development. In the Book of Proverbs we read: "He that is surety for a stranger shall smart for it; and he that hath suretyship is assured." In the twenty-ninth chapter of Ecclesiastes we find the following:

"Suretyship hath undone many that were prospering,
And tosseth them about as a wave of the sea;
Men of wealth it has driven from their homes,
And they had to wander among strange nations."

I commend these quotations from Holy Writ to those credit executives who may have neglected or overlooked the corporate surety protection of those to whom they extend credit.

Insurance underwriting records are full of instances to prove that the absence of some form of casualty insurance or surety and fidelity bonds has led to individual and corporate insolvency, or, at the best, serious financial embarrassment. I could recite to you case after case and case after case, but as this situation frequently has been discussed and is well known in informed circles, there is no need at this time to make an enumeration. My chief object is to point out that if credit executives made a thorough examination of the insurance requirements of their debtors, they would in many instances insist and require that more adequate protection be supplied against the risks which can be guarded against by the casualty and surety business than now is the case. The failure of credit men to fully recognize the importance of these lines in preserving solvency and averting bankruptcy has led in recent years to many a financial headache.

In this connection, I have been much interested in the excellent pioneering work being done to promote more adequate debtor insurance by the Insurance Group of the National Association of Credit Men under the leader-

ship of Mr. Donald C. Campbell of Chicago. The object of this movement is, quoting from its program, to convince members of the Association "of the tremendous financial loss to business from insufficient, inadequate or no insurance on the part of debtors." The program further states that "the credit man is absolutely justified in requiring adequate insurance coverages, not only fire insurance but liability as well."



Henry Swift Ives

In a survey of insurance practices conducted among its members by the National Association of Credit Men, the Insurance Group reports that only 30 per cent of the members inquire as to the fire insurance coverage of their customers; only 10 per cent inquire as to the tornado and windstorm coverage; and only 4 per cent inquire as to other lines. Undoubtedly these "other lines" are chiefly casualty and surety.

This survey clearly indicates that much worth while work can be done by the Insurance Group in its educational campaign in behalf of adequate insurance; and this applies particularly to the casualty and surety lines which seem to have been ignored and neglected by many credit executives. In carrying out this work the Insurance Group is organizing stock insurance agents throughout the country into local groups to co-operate with credit executives and to generally promote insurance protection in all cases where

additional coverage seems to be necessary or desirable. This is an excellent approach to the situation, and insurance agents and brokers should co-operate to the fullest possible extent. The object of the movement is to better protect credit and to widen the market for sound insurance. Nothing could be better adapted to the stimulation of business and the meeting of many of our present day economic needs!

The survey of insurance practices shows other significant facts. There are 22,500 firms represented by members of the National Association of Credit Men. Eighty-three per cent of the credit executives of these establishments buy the insurance carried by their employers. Strangely enough, these 22,500 firms themselves admittedly are only 70 per cent insured. Perhaps when credit men call upon their customers for added protection they might quite logically check up the adequacy of the insurance carried by their own enterprises lest the credit men of some concern which has extended credit to them does it for them.

In a recent address, Chairman Campbell of your Insurance Group summed up the situation better than I can do it. He said:

"Our credit fraternity, in the past has been bashful about talking to a customer like a Dutch uncle on his insurance protection. The building and loan association not only requires adequate insurance coverage on the building they are financing but write it themselves and have the policy in their possession. The same with the auto finance company. The good banker usually requires an insurance survey, made by a competent insurance man, and the approval of the loan depends also on this survey. The Federal Reserve Bank will not rediscount a bill of lading or warehouse receipt loan unless it is accompanied by a satisfactory insurance policy. Even the personal loan organization generally writes a term non medical life policy on the loan applicant for the period of the loan and charges it into the fee. Why should not the credit man be as careful about the insurance protection of the customer's assets? Why should he not REQUIRE adequate insurance as these do?"

Unfortunately, there exist no statistical data in regard to credit losses due to inadequate insurance. Perhaps some of our surplus governmental bureaus might be prevailed upon to engage in the task of obtaining information along this line. It would prove an interesting study not only to credit men but to insurance men. Although, as I already

have said, underwriting records are full of horrible examples of underinsurance, yet a mere compilation of these would throw little light on the subject as a whole.

It is known, however, that the surface of the potential casualty and surety field hardly has been scratched by companies and agents. Despite its rapid growth, this business is still tremendously underdeveloped, much more so than fire, marine and other allied lines of insurance. It has been conservatively estimated that not more than 25 per cent of all automobiles in this country are covered by liability insurance. Only about one-eighth of the insurable plate glass is protected. About one-third of the theaters carry public liability insurance; and probably less than 5 per cent of the insurable prospects carry owners', landlords', and tenants' insurance. The product liability field has hardly been touched; less than 1 per cent of estimated available prospects are thus safeguarded.

There is no way of even estimating the extent of underinsurance in the corporate fidelity and surety business. The countrywide premium income from fidelity and surety lines in 1935, of the stock companies reporting to the New York Insurance Department, was \$74,000,000. When one considers the probable economic and social need for such protection, this amount seems insignificant.

If we may judge the future by the past, it is reasonable to suppose that the development of the casualty and surety business will show a tremendous increase as the depression years recede into the background. It meets so many of the requirements of the modern economic and industrial order, and has become so intimately a part of the warp and woof of the credit structure, that its expansion is bound to be almost automatic. I am not a prophet nor the son of a prophet, not even a crystal gazer, but I dare predict that the total annual premium income from these lines in 1950 will not be far from \$2,500,000,000, as compared to \$935,000,000 today. This may be termed an extravagant guess, but I want it to go into the record at this time as indicating my sincere belief in the fundamental and rapidly accelerating importance of the casualty and surety insurance business in the conduct of human affairs and enterprises.

The future of the casualty and surety business, however, does not lie wholly in indemnifying victims of misfortune; rather it lies in the prevention of the misfortune itself. It is a comparatively new conception that the insurance business should concern itself with the occurrence of loss. For the most part, underwriters are occupied with providing the multitude of coverages required to meet ever increasing demands, and in developing the sale of such insurance. Prevention has been emphasized in the compensation and liability lines, but more particularly in the steam boiler, machinery and elevator lines; and these latter forms of insurance now are bought more because of the service and inspection offered than because of any indemnity features.



Insurance is no sleeping guard

The time is approaching, however, when prevention will become a leading feature of casualty and surety service. This is, in effect, an attack on the loss problem which is growing more acute every year. It stands to reason, if losses materially can be reduced, that insurance rates ultimately will be lower, other things being equal, and insurance sales resistance will lessen. I am of the opinion that the time is not far distant when such results will begin to be attained, and thus vastly increase the market for casualty and surety insurance.

There is only one thing which can defer or retard the growth of casualty insurance and suretyship, and impair their position as a bulwark of credit, and that is the blight of state insurance. Probably the most extensive government ownership project in America today is found in the field of workmen's compensation insurance. Al-

ready eighteen states have funds for the writing of this type of indemnity and in seven of these states private companies are not permitted to compete with the state bureaucracy—in other words, the state has a monopoly.

That some of these state funds may be actuarially insolvent is beyond the point. That is to be expected in a government operated business. The danger is that the scheme may be extended to other important lines of insurance. Already it has been proposed in many jurisdictions for automobile liability insurance; and there are several state bonding funds for public officials and for the securing of state and municipal bank deposits in existence. In reference to this, I want to quote the following statement:

"From the standpoint of those associated in the development of the national commercial credit system, there are many everyday problems in the state insurance tendency worth considering. Industrial progress depends to a very large extent on the stability of credit. When the commercial forces which hold credit in leash and control its expansion and contraction are permitted to function with a minimum of governmental interference, there is little danger of undue inflation or deflation. Such conditions generally result from legislative attempts to set aside economic laws. And if the state absorbs insurance, or arbitrarily and unjustly represses its free development, credit will react more strongly to this interference than to any other kind of an invasion of private property rights. The commercial credit system, dependent as it is upon sound insurance practices, certainly cannot be maintained unimpaired if insurance is impaired by the blight of a state despotism and if protection is made less sure by wasteful, discriminatory and political business operations. It is unthinkable, of course, that government insurance could meet the needs of the complicated, ingenious and beneficial credit system as well as does private insurance. In the free and untrammelled exchange of privately produced and distributed commodities, credit is a living, vital, dynamic force which each individual may use for his own advancement and which supplies a constant urge to all forward-looking men. Government credit, on the other hand, is static, languorous and enervating. It toils not, neither does it spin. And when free enterprise is absorbed by the government, its credit becomes swallowed up in the complexities of political finance."

The quotation which I have just read is taken from an address which I delivered at the annual convention of your Association at Atlanta, Georgia, June 14, 1923—thirteen years ago. I commend it to you for your serious consideration today.

Edward Pilsbury, New Orleans, is new N. A. C. M. President

L. J. Bradford, Cincinnati, Russell Collingsworth, Atlanta,
and W. S. Gruger, Seattle, are selected as Vice Presidents.

ON Edward Pilsbury is a native Orleanian, grandson of the late Edward Pilsbury, former Democratic Mayor of City of New Orleans, and grand-nephew of the late Timothy Pilsbury, former member of U. S. Congress from State of Texas. He attended local public schools, graduating from Boys' High School of New Orleans. His commercial career began in 1899, upon admission to office of Clerk of U. S. Circuit Court as Junior Clerk. Mr. Pilsbury served in that position until 1901 when he became connected with the credit department of S. & J. Katz & Co., wholesalers in dry goods and notions. There he gained valuable experience that laid the foundation for his future success in the field of credits.

In 1905 he became Manager of the Collection Department of the Credit Clearing House of New Orleans, and after serving successfully in that capacity for a year became instrumental in the reorganization and incorporation of the New Orleans Credit Men's Association; was made Manager of the Collection and Adjustment Bureau of that Association, which position he occupied from 1907 until 1914 when he was elected Superintendent of the Association.

While serving in that capacity he investigated and prosecuted vigorously a number of fraudulent failures in bankruptcy, recovered considerable assets for the account of creditors, and the bankrupts were sent to the penitentiary for concealment and violation of the National Bankruptcy Act. He very actively participated in the creation and organization

of the Central Credit Interchange Bureau of the National Association of Credit Men.

Resigning the superintendency of the New Orleans Credit Men's Association in 1919, he became Secretary and Credit Manager of B. Rosenberg & Sons, Inc., manufacturers and wholesalers of shoes, and presently holds the position of Secretary, Credit and Sales Manager of that firm.

Mr. Pilsbury continued his active interest in the affairs of the New Orleans Credit Men's Association, was elected a Director of the Association in 1922 and served continuously in that capacity until 1931 when he was elected President of the Association and served for two years. In that year he was also elected a Director of the National Association of Credit Men, served as a member of the Administrative Committee, and in 1935 was elected Vice-President of that organization. He has been a regular attendant at nearly all conventions of the National Association during the past twenty-four years.

In addition to Mr. Pilsbury's activities in the credit field, he has always taken an active interest in the affairs of the New Orleans Association of Commerce, served as Chairman of the Wholesale Merchants' and Manufacturers' Bureau, as a Director of the Association, and is now a member of the Finance Committee.

Mr. Pilsbury is a lover of outdoor sports, is particularly fond of hunting, fishing, and boating, and spends practically every weekend on his yacht on Lake Ponchartrain and Lake Borgne.

Address of Acceptance by President Pilsbury.

Today, you and the National Association of Credit Men have bestowed upon me an honor that I never dreamed of during the thirty years of my activity in local and National Association work. It is a coincidence that I was first invited to Richmond in the fall of 1916, nearly twenty years ago, to discuss with the Richmond Association of Credit Men, an organization-owned Interchange and Adjustment Bureau, such as we then had in successful operation in New Orleans. At that time, there was conducted here an Interchange Bureau operated by an individual for private profit, and, I'm wondering if any of the men who participated in that meeting, are still active in the work in Richmond today.

Mere words cannot express to you my sincere feelings of appreciation of the very great honor that you have conferred upon me today, and my sincere hope is that I might fully measure up to your expectations. I assume the Presidency of this Association with a deep feeling of humility, realizing, as I do, the high caliber of the splendid men who have preceded me.

Mr. Haight, our Association has made splendid progress under your very able leadership. We are proud of your record of accomplishments, and, while you are relinquishing this gavel, we shall, always, continue to look to you, and, the other splendid men who have preceded you, for leadership, advice and counsel. I hope that at the end of my term I shall be able to retire with the same good will and esteem in which you are held



Immediately following the close of the N. A. C. M.'s 41st Annual Convention, this photograph of President Pilsbury with Past President Haight and Executive Manager Heimann (r.) was taken

in the hearts of the credit men and women of America.

We are about to bring to a close a very constructive convention, and, have listened to a number of inspiring addresses. I think the time is opportune to take inventory of what our association means, and, has meant to you individually, to your firms and to your cities, your states and the Nation.

Without the National Association of Credit Men we would not have a favorable National Bankruptcy Act; we would not have the favorable laws, affecting the acceptance of credit, that have been passed by our State Legislatures. On the contrary, we would have the unfavorable laws restricting credit that the Association has so successfully opposed. We would have destructive competition instead of constructive co-operation between credit departments. We would not have the free, honest and uninterrupted interchange of credit experiences; we would not have been able to salvage and rehabilitate the many temporarily embarrassed businesses that have come under our observation. We would never have practically stamped out the fraudulent failures, which have been so vigorously and successfully prosecuted by this Association; we would never have been able to carry on the education of the future credit men of this country.

While it has taken forty years to realize these accomplishments, now that our foundation has firmly set, we shall be able to progress much more rapidly in the future.

There is no institution in America that can boast of a more efficiently managed and maintained organization than the National Association of Credit Men. Our Executive Manager, Henry H. Heimann, is a man of dynamic personality, vision and energy, and, has surrounded himself with an unusually capable, well-balanced staff, each being an expert in his own particular field, and, we are proud to make the same claim for our secretaries and managers of our local associations.

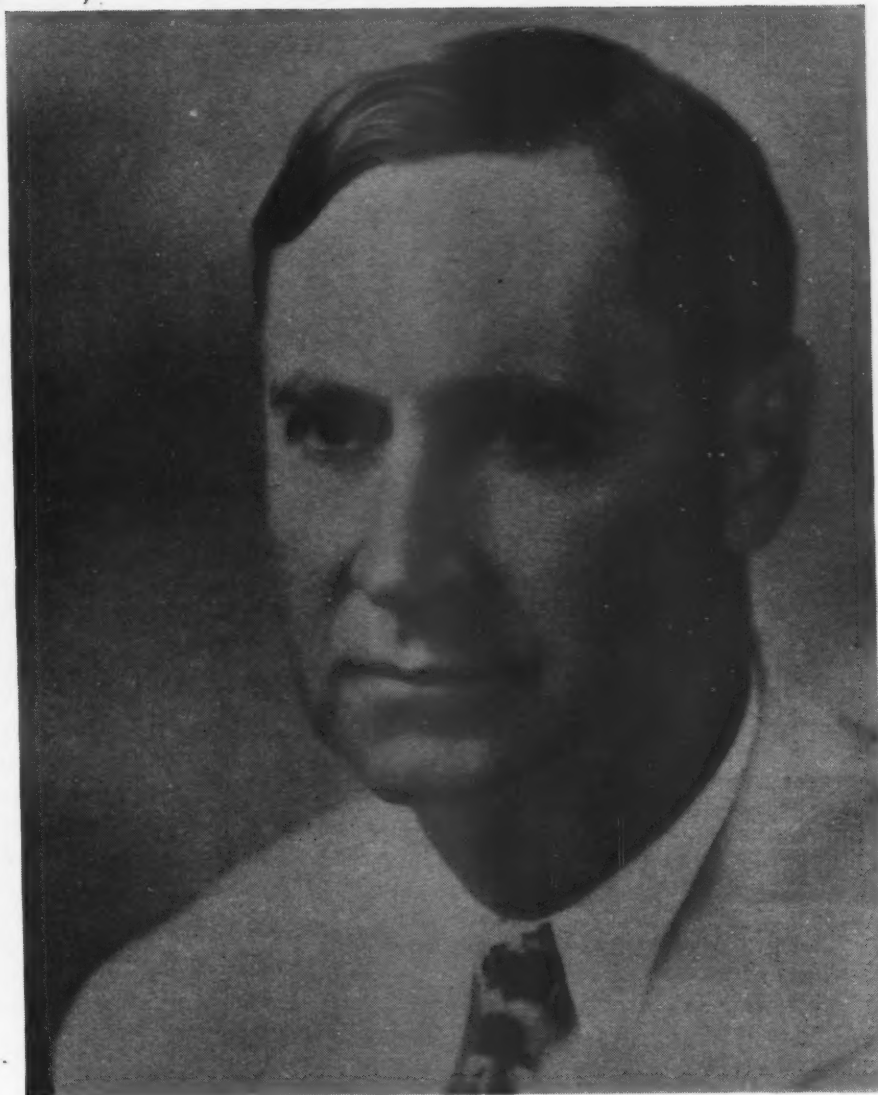
Our inventory, however, would not be complete without taking an inventory of our individual activities. You men and women who have attended this convention are leaders in your trades and local associations. On your journey homeward, take an inventory of your individual activities in the field of credit and in your local association and ascertain whether you strike a fair balance between the value you have received from the Association and the services you have contributed to our cause.

Our very able executive manager has brought to this convention the most ambitious and constructive program of expansion and development that we have ever contemplated. You gave his plan not only unanimous approval but enthusiastic endorsement. You have agreed to raise the funds necessary to make the plan a reality. That, however, is only a means to an end. You must retain your enthusiasm and your determination to make the expansion of this organization a permanent one, and, that undoubtedly will be accomplished, if you will take yourselves seriously and assume the leadership in your organization that you should rightfully assume.

You must realize, however, that no matter how capable your local secretary or manager may be, no matter how hard he may work, no matter how constructive a program may be outlined for you, unless you back up this program upon your return home, with your real, active individual support, the program will fail of accomplishment.

You cannot spell success without putting U in it. In the words of Edgar Guest, "It is not the individual, nor the organization as a whole, but the everlasting team work of every blooming soul."

I thank you.



President: Edward Pilsbury, Secretary, B. Rosenberg & Sons, Inc., New Orleans, La. (above)

Vice Presidents: Russell Collinsworth, President, Gramling & Collinsworth, Atlanta, Ga. (below, left)

L. J. Bradford, Treasurer, The Lunkenheimer Co., Cincinnati, O. (below, center)

W. S. Gruger, Secretary-Treasurer, Imperial Candy Co., Seattle, Wash. (below, right)





CAPITAL LETTERS



Being a monthly letter about items of special interest to you as a credit executive, from the nation's capital, by the Manager of the N. A. C. M.'s Washington Service Bureau.

Dear Reader:

The perennial problem of every author of a periodic column is to serve the varied interests of his readers. What interests the reader in Maine may be uninteresting to the reader in Texas. The purpose of this little department is to sift out from the monthly accumulation of Washington news a few items of special interest to the credit executive. Suggestions from you regarding the topics you would like to have covered from time to time would make the column of more practical value. Won't you send your suggestions to me at 939 Munsey Building, Washington, D. C.?

The bill to provide RELIEF FOR GOVERNMENT CONTRACTORS whose costs of performance

were increased through compliance with the N.I.R.A. has passed both Houses of Congress. The measure is known as H.R. 7293 and is designed to eliminate the difficulties surrounding the operation of a similar bill passed in June 1934 which was intended to provide relief of this kind but actually has been of little value to claimants because of certain interpretations of the law.

As many members of the Association are affected by this legislation and have filed claims which have been unproductive your Association actively supported the passage of this legislation.

The CHANDLER BILL, in its revised form known as H.R. 12889, was still in the Bankruptcy Subcommittee of the House Judiciary Committee at the end of the present session of Congress. A committee print of the revised bill, containing annotations and explanations will be carefully studied by members of the Subcommittee and full committee during the recess and it is hoped that the bill will be passed through the full committee and reported to the House early in the next session of Congress. As this bill is designed to modernize the present Bankruptcy Act it should be of interest and importance to every member.

The Special Senate Committee authorized to INVESTIGATE THE ADMINISTRATION OF RECEIVERSHIP IN BANKRUPTCY PROCEEDINGS in the courts of the United States, has received an additional \$5,000 to continue its activities. This committee of which Senator McAdoo is Chairman was originally empowered to investigate only receivership matters; later its terms of reference were expanded to include Bankruptcy proceedings.

REFUNDS OF PROCESSING TAXES PAID ON FLOOR STOCKS contemplated by the provisions of the pending REVENUE BILL, will be forthcoming as a result of the passage of the new tax bill which also provided the necessary appropriation for the refunds. It will still be some time, however, before the Treasury Department will be able to examine and approve claims and authorize their

payment. The administrative procedure alone involved in this work is expected to be a tremendous task. Claimants, therefore, should not be too optimistic with regard to the early settlement of their claims.

Establishment of a RUNNING INVENTORY OF UNEMPLOYMENT which will determine currently who are unemployed and where they are, is the major objective of a committee established by the Council for Industrial Progress, headed by Major George L. Berry. The group, with equal representation of management and labor will conduct no research and collect no statistics. It will work with existing governmental agencies and seek the cooperation of industry to obtain the industrial viewpoint.

A joint resolution providing for an investigation of the AMERICAN INSURANCE BUSINESS was introduced in the House on May 25th by Representative Cannon of Wisconsin. The preamble of the resolution cites an extensive list of alleged abuses existing in the insurance business. The proposed resolution did not receive action at the past session but its introduction is interesting.

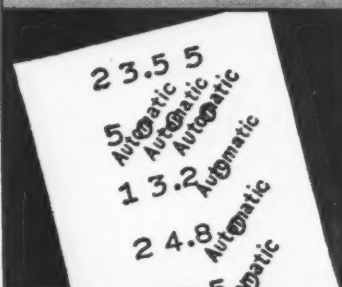
A number of members have written to the Washington office with regard to the ELIMINATION OF DOMESTIC ELECTRICAL APPLIANCES from the provisions of the Federal Housing Act under the terms of the amendments to that Act which were passed during the present session of Congress. Those amendments specifically excluded insurance of loans under \$2,000 on such appliances. The reason given was that the insurance of such loans duplicated activities of the Electric Home and Farm Authority. By the terms of a recently adopted resolution the Electric Home and Farm Authority announced the policy of making its facilities available to assist in the extension of credit for the purchase of domestic electrical appliances in areas served by utilities, public or private, whose rates for domestic electrical power do not exceed "Maximum Levels" and whose policy provides for periodic or automatic adjustments as use of electricity (Continued on p. 25)

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This month's collectors:

Submitted for the approval of our readers

by S. LION, Credit Manager, Kentucky Hotel, Louisville, Ky.

Mr. John Doe
Oshkosh, Wisc.,
Dear Mr. Doe:

My main and only object in writing you today is that I dreamed about you last night. In fact, dreamed so loud of calling your phone number 4-11-44 that I awakened the Mrs. However, I finally got in touch with you and you came across and paid off. Of course, I soon came to and found that it was, after all, only a dream.

Now, coming down to the real point of interest, I surely would appreciate, as I have so often told you, some payment on your account. In fact, I would consider it a personal favor if you did so.

Thanking you in advance and anxiously looking forward to your calling, I am,

Very truly yours,

KENTUCKY HOTEL

S. Lion, Credit Manager.

by CHAS. E. ZONNEVYLLE, Credit Manager, Yawman and Erbe
Mfg. Co., Rochester, N. Y.

Dear Sir:

May we express our gratitude for the patronage you have given "Y and E" and say that we shall be glad to have you trade with us, at your pleasure, with assurance we will exert our efforts to serve you acceptably?

And may we mention the "Story Inside" addressed remittance envelope we mailed you several days ago hasn't as yet been returned to us with your "story" in the practical form of a "check inside?"

A good deal of time has slipped along and you will now agree, we feel, that really your check should be accorded us promptly.

So won't you please, within just a day or two, mail us your check for \$.....

Very truly yours,

YAWMAN AND ERBE MFG. CO.

Chas. E. Zonnevylle,

Manager, Credit Department

If remitted, please accept this as our "Thank You."

C "Our collection methods are predicated on the precept that debtors are keyed to definite, but varying, average payment periods, and that if anything may be done to procure payments in advance of the expiration of their averages then, with an aim to the retention and development of good

will, we feel it is logical to do this through form and special letters conveying graduated psychology and degrees of firmness," Mr. Zonnevylle writes, submitting a "third step" letter.

A great deal of collection of letter writing, however, can be obviated if proper care is taken in analysis of credit

responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk, has achieved foremost standing among credit executives because it is based on the current record. There is no substitute for Credit Interchange.

Capital letters

(Cont. from p. 22) increases unless such rates are already as low or lower than the "Accepted Levels." The terms "Maximum Levels" and "Accepted Levels" are defined in the body of the resolution, copies of which may be obtained from the E.H.F.A.

Yours very truly,
C. F. BALDWIN, Manager
Washington Service Bureau.

Use and abuse of credit

(Cont. from p. 7) is higher than accepted standards. In a friendly and tactful way the credit executive can point out such inconsistencies. After gaining the merchant's confidence, it will be found that most retailers are open to suggestions of a constructive nature and the manufacturer or wholesaler may become a bureau of information for his customers, who may be excellent buyers or splendid salesmen, but are lacking in the financial acumen that is essential for the successful conduct of any business.

While it may be possible to educate some slow pay accounts, nevertheless there is that class of merchants who are slow pay whether times are good or bad, and credit should in these cases be restricted, as such a merchant has neither a sense of obligation, nor does he appreciate the benefits of a good credit standing. All too frequently credit men are too anxious to make sales at the expense of safety. How frequently we hear of a merchant who has made a composition settlement or gone through bankruptcy obtaining further credit without difficulty. It is nearly a safe rule that an individual who has resorted to such a procedure in relieving himself of his debts will follow the same practice again.

Credit men should constantly preach the gospel of the value of a good credit standing which should be protected at all hazards.

While a policy of severity in handling credits is not desirable, nevertheless there should be avoided a policy of laxness in granting credit to individuals who are not qualified to handle it, and the guilt of too easy credit and its abuse must rest squarely upon the shoulders of the credit fraternity.

An individual of unquestioned character should be given the fullest oppor-

tunity of developing his talents and demonstrating his capacity. However, when the opportunity is abused, it should be promptly withdrawn. A merchant whose word cannot be relied upon is not a capable judge of his credit requirements.

Individuals with limited capital must at all times maintain a sense of proportion. In other words, they must budget, as far as possible, every expense item, and make due allowance for unseen eventualities that are bound to occur in the history of any business. Such a merchant should also budget

the amount of credit he grants, and, considering his available capital, should arrange his terms of sale accordingly. It is imperative, as a factor of safety, that he limit his commitments to as few sources of supply as possible. This will rebound to his advantage in fewer records to maintain, and, more important, if for any reason unfavorable conditions make necessary an extension of the payment of his maturities, it is much simpler to gain such an accommodation in a few quarters than if the creditors are numerous. A credit man

(Continued on page 33)

He has a RIGHT TO FEEL SECURE

Approving credit means more to him than design, materials and location. He insists on knowing who will pay when fire, wind, explosion, fraud or liability take their toll.

Among the insurance companies that get his "OK" is Fireman's Fund. Assets of 32 millions, policyholders' surplus of 22 millions... 73 years without a default... these are the factors of Strength, Permanence and Stability that have won his approval.

There are 11,000 Fireman's Fund agents in America. Consult one of them for policies "always worth par when misfortune strikes."



His insurance is in a company of the

FIREMAN'S FUND GROUP

Fireman's Fund Insurance Company - Occidental Insurance Company
Home Fire & Marine Insurance Company

Fireman's Fund Indemnity Company - Occidental Indemnity Company

New York • Chicago • SAN FRANCISCO • Boston • Atlanta

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When writing to advertisers please mention Credit & Financial Management

The business

**Wholesale sales up 3% in May '36
over May '35; collections on A/R
remain at same rate during period.**

CF While value of wholesale trade increased slightly in May, 1936, from May, 1935, collections on accounts receivable remained at the same rate over this period, according to reports of wholesalers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 1,223 reporting wholesalers increased about 3 percent in May, 1936, from May, 1935. Without adjustment for seasonal influences, May, 1936, sales registered a decline of less than 1 percent from April, 1936.

With the exception of the shoe, clothing and furnishings, and grocery groups, all of the lines of wholesale trade shown in this report registered increases in total net sales for May this year over the same month last year, the increases ranging from about 2 percent for the tobacco and its products group to over 36 percent for plumbing and heating equipment and supplies.

Results presented separately by certain geographical regions indicate that with the exception of shoe and grocery wholesalers, sales in May this year as compared with May a year ago increased in all sections of the country. Marked gains were made by electrical goods and hardware wholesalers in the East North Central, West Central and Mountain and Pacific States.

Percentages of collections on accounts receivable submitted by 561 wholesalers were approximately the

same for both April and May this year and May a year ago, 69 percent. In reflecting the average experience of the reporting establishments the median percentage has been selected as the most suitable average. This method gives equal weight to all firms regardless of the volume of business done and the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle item. This procedure tends to minimize fluctuations.

Seven of the 18 wholesale groups reporting showed a higher average collection percentage for May, 1936, than for May, 1935. The greatest relative increases in collections from a year ago were registered by electrical goods, and

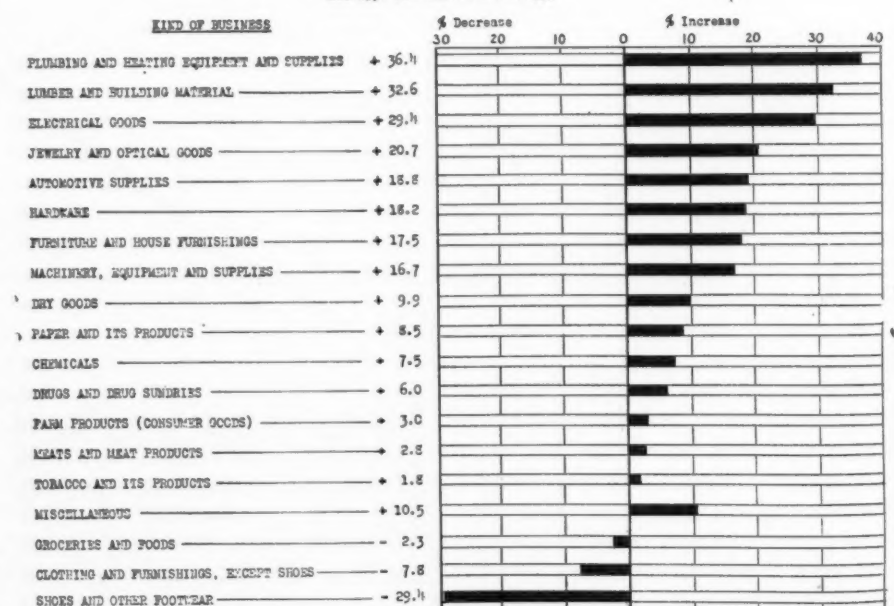
furniture and house furnishing wholesalers.

The highest collection percentages were shown by the meats and meat products group, the median collection figures being 116.6 percent for May and 115.6 percent for April this year and 129.8 percent for May last year. These percentages indicate that customers of these firms, on the average, took less than thirty days to pay for their purchases. Where this condition exists, the collection percentages calculated by the method followed in the study exceed 100, which figure indicates that, on the average, accounts receivable are paid in thirty days.

Detailed figures are presented in the tables and chart on these pages.

PERCENTAGE OF CHANGE IN SALES OF 1223 WHOLESALE IN 19 KINDS OF BUSINESS

MAY 1936 COMPARED WITH MAY 1935



thermometer:

Manufacturers' sales increase 8% in May

'36 over May '35 while collections

hold the same level during that period.

CMarked gains in total net sales and a slightly higher rate of collections on accounts receivable in May, 1936, as compared with May a year ago were reported by manufacturers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 588 manufacturers throughout the country reported an increase of 18 per cent on May, 1936, from May, 1935. Without adjustment for seasonal influences, May, 1936, sales registered a decline of less than 1 percent from April of this year.

Total sales increased in May, 1936, over the same month last year for all of the 14 industry groups shown in the report with the exception of leather and its products and miscellaneous industries. The increases ranged from 1.9 percent for food and kindred products to approximately 46 percent for iron and steel and their products. In comparison with April, 1936, eight of the industries showed increases and 6 decreases.

Percentages of collections on accounts receivable submitted by 573 manufacturers were approximately the same for both April and May this year and May a year ago, 79 percent. In reflecting the average experience of the reporting establishments the median percentage has been selected as the most suitable average. This average gives equal weight to all firms regardless of the volume of business done as the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle

item. This procedure tends to minimize fluctuations.

Fire losses decreased

During the calendar year 1935, 325 cities submitted detailed reports of their activities in connection with the fire prevention activities of the Chamber of Commerce of the United States. At its recent annual meeting, awards were announced. Many improvements by the participating cities in the contest were shown during 1935 and this has been true ever since the competition began in 1923. The cities participating in those years have shown a proportional fire loss lower than that of the country as a (Cont. on page 28)

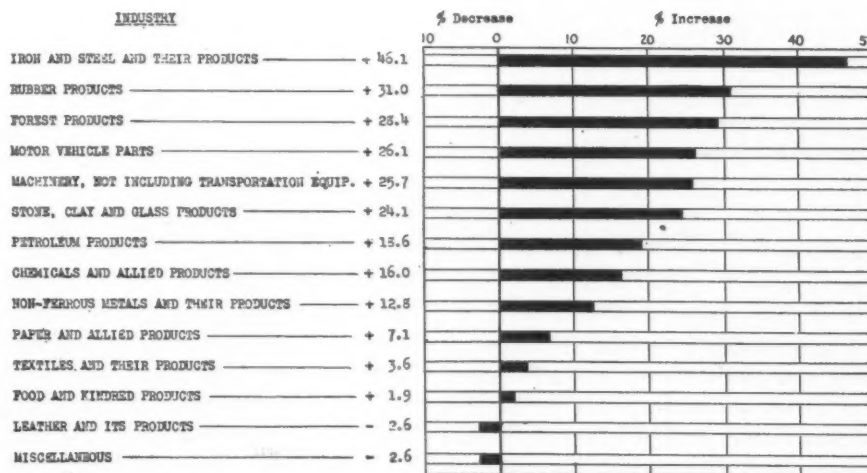
Eight of the 14 industry groups reporting showed a higher average col-

lection percentage for May, 1936, than for May, 1935, with the remaining groups showing lower ratios. The chemicals and allied products group registered the greatest relative increase in collections over this period.

The meat packing industry reported the highest collection percentages, the median collection figures for the 16 companies represented being 167.3 percent for May and 153 percent for April this year and 144.7 percent for May last year. These percentages indicate that customers of these firms took less than thirty days on the average to pay for their purchases. Where this condition exists, the collection percentages calculated by the method followed in the study exceed 100, which figure indicates that, on the average, accounts receivable are paid in thirty days.

Detailed figures are presented in the table and chart on these pages.

PERCENTAGE OF CHANGE IN SALES OF 588 MANUFACTURERS IN 14 INDUSTRIES
MAY 1936 COMPARED WITH MAY 1935



SALES AND COLLECTIONS ON ACCOUNTS RECEIVABLE OF REPORTING WHOLESALERS IN 19 KINDS OF BUSINESS
MAY 1936

| Kind of business | Number of firms reporting sales | Sales reported | | | | | | Number of firms reporting collections | Percent* of collections during month to accounts receivable at beginning of month | | |
|---|---------------------------------|------------------------------------|----------|------------|----------|------------|----------|---------------------------------------|---|------------|--|
| | | Thousands of dollars | | | | | | | Median percentages | | |
| | | May 1936 percent- age change from: | | | | | | | | | |
| | | May 1936 | May 1935 | April 1936 | May 1935 | April 1936 | May 1936 | | May 1935 | April 1936 | |
| Automotive supplies..... | 72 | 2,621 | 2,207 | 2,438 | +18.8 | + 7.5 | 39 | 61.8 | 60.1 | 64.0 | |
| Chemicals..... | 8 | 286 | 266 | 271 | + 7.5 | + 5.5 | 8 | 64.2 | 63.9 | 62.4 | |
| Clothing and furnishings, except shoes..... | 23 | 1,491 | 1,617 | 2,143 | - 7.8 | -30.4 | 11 | 57.0 | 62.1 | 54.0 | |
| Shoes and other footwear..... | 46 | 13,576 | 19,233 | 12,199 | -29.4 | +11.3 | 17 | 47.0 | 49.0 | 44.0 | |
| Coal**..... | — | — | — | — | — | — | — | — | — | — | |
| Drugs and drug sundries..... | 99 | 12,924 | 12,188 | 13,589 | + 6.0 | - 4.9 | 32 | 78.2 | 73.7 | 73.9 | |
| Dry goods..... | 100 | 14,347 | 13,054 | 14,800 | + 9.9 | - 3.1 | 36 | 43.3 | 44.9 | 44.2 | |
| Electrical goods..... | 104 | 10,152 | 7,847 | 9,261 | +29.4 | + 9.6 | 29 | 87.0 | 74.8 | 83.4 | |
| Farm products(consumer goods)..... | 27 | 3,265 | 3,169 | 3,331 | + 3.0 | - 2.0 | 26 | 90.8 | 91.4 | 93.9 | |
| Furniture and house furnishings..... | 36 | 2,707 | 2,304 | 2,587 | +17.5 | + 4.6 | 14 | 52.6 | 47.2 | 49.5 | |
| Groceries and foods, except farm products... | 276 | 33,193 | 33,986 | 33,921 | - 2.3 | - 2.1 | 104 | 90.0 | 90.0 | 93.0 | |
| Meats and meat products..... | 21 | 8,496 | 8,261 | 9,485 | + 2.8 | -10.4 | 18 | 116.6 | 129.8 | 115.6 | |
| Hardware..... | 150 | 18,464 | 15,615 | 17,467 | +18.2 | + 5.7 | 45 | 56.0 | 52.2 | 52.1 | |
| Jewelry and optical goods..... | 17 | 479 | 397 | 533 | +20.7 | -10.1 | — | — | — | — | |
| Lumber and building material..... | 14 | 1,024 | 772 | 940 | +32.6 | + 8.9 | 14 | 56.2 | 62.6 | 61.3 | |
| Machinery, equipment and supplies, except electrical..... | 41 | 2,199 | 1,885 | 2,189 | +16.7 | + 0.5 | 27 | 67.0 | 68.8 | 68.0 | |
| Metals**..... | — | — | — | — | — | — | — | — | — | — | |
| Paper and its products..... | 88 | 5,070 | 4,672 | 5,259 | + 8.5 | - 3.6 | 41 | 67.5 | 72.0 | 75.0 | |
| Petroleum and its products**..... | — | — | — | — | — | — | — | — | — | — | |
| Plumbing and heating equipment and supplies. | 38 | 2,276 | 1,669 | 2,219 | +36.4 | + 2.6 | 36 | 62.7 | 65.6 | 60.8 | |
| Tobacco and its products..... | 15 | 1,606 | 1,577 | 1,603 | + 1.8 | + 0.2 | 15 | 104.0 | 112.0 | 103.0 | |
| Miscellaneous, total..... | 48 | 5,263 | 4,763 | 5,920 | +10.5 | -11.1 | 49 | 69.0 | 67.0 | 68.3 | |
| Leather and leather goods**..... | — | — | — | — | — | — | — | — | — | — | |
| Beer, wines and spirituous liquors**..... | — | — | — | — | — | — | — | — | — | — | |
| Total..... | 1,223 | 139,439 | 135,482 | 140,155 | + 2.9 | - 0.5 | 561 | 69.0 | 68.9 | 69.0 | |

*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

**Insufficient number of reports at present to show results separately; figures now included with Miscellaneous.

SALES AND COLLECTIONS ON ACCOUNTS RECEIVABLE OF REPORTING MANUFACTURERS IN 14 INDUSTRIES
MAY 1936

| Industry | Number of firms reporting sales | Sales reported | | | | | | Number of firms reporting collections | %Percent* of collections during month to accounts receivable at beginning of month | | |
|---|---------------------------------|----------------------|----------|------------|----------|------------|----------|---------------------------------------|--|------------|--|
| | | Thousands of dollars | | | | | | | Median percentages | | |
| | | Percent change from: | | | | | | | | | |
| | | May 1936 | May 1935 | April 1936 | May 1935 | April 1936 | May 1936 | | May 1935 | April 1936 | |
| Food and kindred products, total..... | 112 | 25,580 | 25,093 | 25,855 | + 1.9 | - 1.1 | 109 | 101.2 | 100.0 | 99.8 | |
| Confectionery, flavoring extracts and ice cream... | 23 | 2,544 | 2,333 | 2,295 | + 9.0 | +10.8 | 23 | 102.4 | 100.0 | 95.8 | |
| Flour, cereals and other grain mill products..... | 18 | 5,210 | 6,066 | 5,527 | -14.1 | - 5.7 | 18 | 102.9 | 112.3 | 109.3 | |
| Meat packing..... | 16 | 4,464 | 4,548 | 4,500 | - 1.9 | - 3.0 | 16 | 167.3 | 144.7 | 153.0 | |
| Textiles and their products, total..... | 88 | 17,644 | 17,032 | 20,495 | + 3.6 | -13.9 | 83 | 66.0 | 68.0 | 65.0 | |
| Clothing, men's, except hats..... | 22 | 2,283 | 2,318 | 3,075 | - 1.5 | -28.8 | 21 | 50.4 | 53.0 | 46.0 | |
| Clothing, women's, except millinery..... | 16 | 1,437 | 1,260 | 1,581 | +14.0 | - 9.1 | 14 | 69.6 | 72.7 | 69.5 | |
| Knit goods..... | 20 | 2,897 | 2,846 | 3,374 | + 1.8 | -14.1 | 20 | 63.6 | 63.3 | 65.4 | |
| Forest products, total..... | 35 | 2,129 | 1,658 | 2,116 | +28.4 | + 0.6 | 34 | 57.5 | 57.6 | 60.2 | |
| Furniture..... | 24 | 1,472 | 1,207 | 1,494 | +22.0 | - 1.5 | 23 | 50.9 | 52.0 | 57.0 | |
| Lumber, timber and other miscellaneous forest products..... | 11 | 657 | 451 | 622 | +45.7 | + 5.6 | 11 | 76.4 | 78.6 | 75.7 | |
| Paper and allied products, total..... | 45 | 8,228 | 7,683 | 8,046 | + 7.1 | + 2.3 | 43 | 90.6 | 90.4 | 90.0 | |
| Paper, writing, book, etc..... | 11 | 3,235 | 3,091 | 3,091 | + 2.6 | + 4.7 | 11 | 90.6 | 90.0 | 90.0 | |
| Paper boxes, and other paper products..... | 34 | 4,993 | 4,530 | 4,955 | +10.2 | + 0.8 | 32 | 91.0 | 90.7 | 91.0 | |
| Printing, publishing, and allied industries**..... | — | — | — | — | — | — | — | — | — | — | |
| Chemicals and allied products, total..... | 41 | 8,532 | 7,354 | 7,754 | +16.0 | +10.0 | 40 | 71.7 | 67.1 | 69.0 | |
| Paints and varnishes..... | 18 | 2,027 | 1,674 | 1,526 | +21.1 | +32.8 | 17 | 60.0 | 49.0 | 48.0 | |
| Pharmaceuticals and proprietary medicines..... | 12 | 1,792 | 1,730 | 1,893 | + 3.6 | - 5.3 | 12 | 80.3 | 76.8 | 89.0 | |
| Petroleum products..... | 11 | 39,495 | 33,307 | 37,568 | +18.6 | + 5.1 | 10 | 79.9 | 80.6 | 78.3 | |
| Rubber products..... | 10 | 3,029 | 2,312 | 2,326 | +31.0 | +30.2 | 10 | 85.5 | 81.0 | 82.5 | |
| Leather and its products, total..... | 31 | 6,770 | 6,952 | 7,482 | - 2.6 | - 9.5 | 28 | 56.4 | 63.0 | 56.7 | |
| Boots and shoes..... | 21 | 5,352 | 5,616 | 5,987 | - 4.7 | -10.6 | 19 | 47.2 | 50.6 | 44.8 | |
| Stone, clay and glass products..... | 25 | 6,804 | 5,482 | 6,605 | +24.1 | + 3.0 | 27 | 86.6 | 85.0 | 83.0 | |
| Cement**..... | — | — | — | — | — | — | — | — | — | — | |
| Iron and steel and their products, total..... | 60 | 39,156 | 26,804 | 40,065 | +46.1 | - 2.3 | 58 | 80.0 | 79.5 | 82.6 | |
| Hardware..... | 13 | 2,212 | 1,858 | 2,392 | +19.1 | - 7.5 | 13 | 80.0 | 73.0 | 79.0 | |
| Stoves, ranges, and steam heating apparatus..... | 10 | 2,208 | 1,465 | 2,206 | +50.7 | + 0.1 | 11 | 40.6 | 68.0 | 42.2 | |
| Other iron and steel products..... | 37 | 34,736 | 23,481 | 35,467 | +47.9 | - 2.1 | 34 | 85.5 | 86.6 | 89.3 | |
| Non-ferrous metals and their products..... | 11 | 2,309 | 2,047 | 2,212 | +12.8 | + 4.4 | 12 | 80.3 | 77.6 | 76.1 | |
| Machinery, not including transportation equipment, total..... | 56 | 28,189 | 22,427 | 25,741 | +25.7 | + 9.5 | 56 | 77.5 | 74.2 | 74.3 | |
| Electrical machinery, apparatus and supplies..... | 22 | 20,761 | 16,714 | 18,557 | +24.2 | +11.9 | 23 | 79.0 | 79.7 | 84.6 | |
| Other machinery: foundry products..... | 34 | 7,428 | 5,713 | 7,184 | +30.0 | + 3.4 | 33 | 76.0 | 67.0 | 69.4 | |
| Motor-vehicle parts..... | 15 | 5,835 | 4,626 | 6,451 | +26.1 | - 9.6 | 14 | 93.0 | 90.1 | 97.4 | |
| Miscellaneous industries..... | 48 | 6,936 | 7,119 | 8,064 | - 2.6 | -14.0 | 49 | 66.0 | 73.0 | 68.9 | |
| Total..... | 568 | 200,636 | 169,896 | 200,780 | +18.1 | - 0.1 | 573 | 79.4 | 79.0 | 79.2 | |

*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month.

**Insufficient number of reports at present to show results separately; figures now included with industry or miscellaneous group totals.

Fire losses down

(Cont. from page 27) whole. Stated in dollars and cents, the cities participating in the contest during this period had approximately \$380,000,000 less in fire losses than they would have had if

their proportional fire loss had been as great as that of the country as a whole.

Prizes for 1935 were awarded as follows: Philadelphia, leader in Class I cities; Atlanta, Ga., leader in Class II cities and winner of the grand

award; Hartford, Conn., leader in Class III cities; Lakewood, Ohio, leader in Class IV cities; Parkersburg, W. Va., leader in Class V cities; and Geneva, N. Y., leader in Class VI cities.

SALES AND COLLECTIONS ON ACCOUNTS RECEIVABLE OF REPORTING WHOLESALERS IN 9 KINDS OF BUSINESS, BY GEOGRAPHICAL REGIONS
MAY 1936

(Results shown only for those trades having a sufficient number of reports for one or more regions*.)

| Kind of business and region | Number of firms reporting sales | Sales reported | | | | | | Number of firms reporting collections | Percent* of collections during month to accounts receivable at beginning of month | | |
|---|---------------------------------|----------------------|----------|------------|------------------------------------|------------|----------|---------------------------------------|---|------------|--|
| | | Thousands of dollars | | | May 1936 percent- age change from: | | | | Median percentages | | |
| | | May 1936 | May 1935 | April 1936 | May 1935 | April 1936 | May 1936 | | May 1935 | April 1936 | |
| | | | | | | | | | | | |
| Automotive supplies, total..... | 72 | 2,621 | 2,207 | 2,438 | +18.8 | +7.5 | 39 | 61.8 | 60.1 | 64.0 | |
| East North Central..... | 17 | 743 | 604 | 659 | +23.0 | +12.7 | 16 | 61.1 | 60.8 | 59.9 | |
| Mountain and Pacific..... | 37 | 852 | 762 | 868 | +11.8 | -1.8 | -- | -- | -- | -- | |
| Shoes and other footwear, total..... | 46 | 13,576 | 19,233 | 12,199 | -29.4 | +11.3 | 17 | 47.0 | 49.0 | 44.0 | |
| Middle Atlantic..... | 14 | 1,796 | 1,693 | 1,737 | +6.1 | +3.4 | -- | -- | -- | -- | |
| West Central States..... | 10 | 9,612 | 15,739 | 8,159 | -38.9 | +17.8 | -- | -- | -- | -- | |
| Southeastern..... | 10 | 1,233 | 1,042 | 1,327 | +18.3 | -7.1 | -- | -- | -- | -- | |
| Drugs and drug sundries, total..... | 99 | 12,924 | 12,188 | 13,589 | +6.0 | -4.9 | 32 | 78.2 | 73.7 | 73.9 | |
| East North Central..... | 23 | 1,988 | 1,891 | 2,067 | +5.1 | -3.8 | 14 | 88.3 | 81.1 | 86.6 | |
| West Central..... | 31 | 4,626 | 4,186 | 4,811 | +10.5 | -3.8 | -- | -- | -- | -- | |
| Southeastern..... | 21 | 1,589 | 1,517 | 1,612 | +4.7 | -1.4 | -- | -- | -- | -- | |
| Mountain and Pacific..... | 15 | 3,447 | 3,390 | 3,778 | +1.7 | -8.8 | -- | -- | -- | -- | |
| Dry goods, total..... | 100 | 14,347 | 13,054 | 14,800 | +9.9 | -3.1 | 36 | 43.3 | 44.9 | 44.2 | |
| Middle Atlantic..... | 22 | 2,682 | 2,319 | 2,817 | +15.7 | -4.8 | -- | -- | -- | -- | |
| East North Central..... | 11 | 1,279 | 1,112 | 1,165 | +15.0 | +9.8 | 10 | 44.9 | 49.7 | 45.4 | |
| West Central..... | 21 | 5,167 | 4,912 | 5,225 | +5.2 | -1.1 | -- | -- | -- | -- | |
| Southeastern..... | 26 | 2,423 | 2,139 | 2,482 | +13.3 | -2.4 | 12 | 41.9 | 40.8 | 43.4 | |
| Mountain and Pacific..... | 18 | 952 | 934 | 982 | +1.9 | -3.1 | -- | -- | -- | -- | |
| Electrical goods, total..... | 104 | 10,152 | 7,847 | 9,261 | +29.4 | +9.6 | 29 | 87.0 | 74.8 | 83.4 | |
| Middle Atlantic..... | 10 | 832 | 728 | 719 | +14.3 | +15.7 | -- | -- | -- | -- | |
| East North Central..... | 50 | 3,789 | 2,727 | 3,360 | +38.9 | +12.8 | -- | -- | -- | -- | |
| West Central..... | 13 | 1,251 | 928 | 1,113 | +34.8 | +12.4 | -- | -- | -- | -- | |
| Southeastern..... | 9 | 1,368 | 1,125 | 1,091 | +21.6 | +25.4 | -- | -- | -- | -- | |
| Mountain and Pacific..... | 21 | 2,589 | 1,989 | 2,674 | +30.2 | -3.2 | -- | -- | -- | -- | |
| Groceries and foods, total..... | 276 | 33,193 | 33,986 | 33,921 | -2.3 | -2.1 | 104 | 90.0 | 90.0 | 93.0 | |
| Middle Atlantic..... | 55 | 7,867 | 8,058 | 7,828 | -2.4 | +0.5 | 18 | 84.6 | 79.2 | 94.7 | |
| East North Central..... | 61 | 7,362 | 7,710 | 7,572 | -4.5 | -2.6 | 32 | 90.4 | 97.9 | 91.9 | |
| West Central..... | 61 | 7,343 | 7,800 | 7,690 | -5.9 | -4.5 | 15 | 90.0 | 105.3 | 96.0 | |
| Southeastern..... | 48 | 2,844 | 2,859 | 2,947 | -0.5 | -3.5 | 20 | 88.5 | 83.8 | 88.8 | |
| Mountain and Pacific..... | 47 | 7,445 | 7,225 | 7,559 | +3.0 | -1.5 | 13 | 98.2 | 97.0 | 100.0 | |
| Hardware, total..... | 150 | 18,464 | 15,615 | 17,467 | +18.2 | +5.7 | 45 | 56.0 | 52.2 | 52.1 | |
| Middle Atlantic..... | 26 | 1,907 | 1,636 | 1,761 | +16.6 | +8.3 | -- | -- | -- | -- | |
| East North Central..... | 22 | 3,348 | 2,856 | 3,080 | +17.2 | +8.7 | 11 | 57.4 | 58.1 | 50.6 | |
| West Central..... | 40 | 5,063 | 4,264 | 4,658 | +18.7 | +8.7 | 9 | 56.0 | 61.2 | 59.2 | |
| Southeastern..... | 35 | 3,343 | 2,907 | 3,063 | +15.0 | +9.1 | 16 | 49.0 | 48.5 | 48.1 | |
| Mountain and Pacific..... | 25 | 4,618 | 3,787 | 4,742 | +21.9 | -2.6 | -- | -- | -- | -- | |
| Paper and its products, total..... | 88 | 5,070 | 4,672 | 5,259 | +8.5 | -3.6 | 41 | 67.5 | 72.0 | 75.0 | |
| Middle Atlantic..... | 21 | 1,242 | 1,150 | 1,314 | +8.0 | -5.5 | -- | -- | -- | -- | |
| East North Central..... | 17 | 1,293 | 1,167 | 1,367 | +10.8 | -5.4 | 15 | 68.5 | 71.0 | 75.0 | |
| West Central..... | 10 | 401 | 357 | 372 | +12.3 | +7.8 | -- | -- | -- | -- | |
| Southeastern..... | 9 | 378 | 366 | 383 | +3.3 | -1.3 | -- | -- | -- | -- | |
| Mountain and Pacific..... | 29 | 1,631 | 1,519 | 1,702 | +7.4 | -4.2 | -- | -- | -- | -- | |
| Plumbing and heating equipment and supplies, total..... | 38 | 2,276 | 1,669 | 2,219 | +36.4 | +2.6 | 36 | 62.7 | 65.6 | 60.8 | |
| Middle Atlantic..... | 9 | 389 | 311 | 389 | +25.1 | 0.0 | 9 | 55.5 | 47.7 | 56.0 | |
| Mountain and Pacific..... | 10 | 713 | 541 | 779 | +31.8 | -8.4 | 9 | 65.0 | 69.0 | 75.9 | |

*States comprising regions: New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut)
Middle Atlantic (New York, New Jersey, and Pennsylvania)
Southeastern (Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, and Mississippi)
East North Central (Ohio, Indiana, Illinois, Michigan, and Wisconsin)
West Central (Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Arkansas, Louisiana, Oklahoma, and Texas)
Mountain and Pacific (Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California)

Social Security facts outlined

Employers or corporation executives responsible for tax payments and personnel relations will be interested in three government documents recently announced by Robert Huse, associate director of the Business Informational Service of the Social Security Board. They are: (1) "A Brief Explanation of the Social Security Act" which discusses the entire federal legislation briefly; (2) "Unemployment Compensation, Some Questions and Answers," which deals with state legislation, actual and potential; and (3) "Regulations 90 Relating to the actual and potential; and (4) "Regulations 90 Relating to the Excise Tax on Employers

under Title IX of the Social Security Act," which contains the rules prescribed by the Bureau of Internal Revenue for the collection of the federal taxes levied by the Act.—"Barron's."

Food habits

The change in food habits as economic level increases is strikingly shown in a study by the Bureau of Labor Statistics, which compares the quantities and types of food consumed by families of wage earners at various economic levels. At the lowest levels the market basket is heavily weighted with bread, flour and meal, and white and sweet potatoes. At the higher levels, the consumption of cereals is

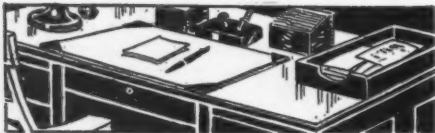
only slightly larger, but the use of fresh vegetables and fruits doubles and of meat and eggs increases by more than 50 percent.

Wages, hours, ages

The establishment of fixed standards as regards minimum wages, maximum hours, and age of employment has been recommended by the Council for Industrial Progress. The body was called together early in 1936 to consider measures for the protection of labor and fair trade practices. Seven committees framed recommendations for the consideration of the council as a whole. The committees' reports were in all instances accepted by the council at its meeting in March, 1936.



Office-ally



New holder for eraser

The Field Manufacturing Company, Spencer, Indiana, has announced a new eraser holder on which patent is pending. The holder fits on either side of the typewriter and weighs only three-quarters of an ounce, including the eraser. There is a brush which will turn either way or stand up. The holder can be attached in a few seconds by means of a thumb screw. The holder comes in bronze, nickel plate, and aluminum, and is so constructed that dust will not collect.

Sittin' pretty comfortably

The "Office Equipment Merchandiser" tells us of a new Spongex No. 30 line of seat cushions offered by The Sponge Rubber Products Company, Derby, Connecticut. This cushion is a resilient, comfortable item made of one inch thick Spongex, covered on the top with felt in either brown or green. The bottom surface is especially corrugated to help prevent the cushion from slipping. Its non-slipping features, with rounded edges and corners assure neat fit for armchair or stenographer's chair. It is moderately priced.

Paste-pots and pins

(Cont. from p. 15) throughout the country. The difficulty with uniform laws, however, is that once enacted, the State Legislatures have a tendency thereafter to amend them and thus destroy the uniformity which is one of the principal objects of the original enactment.

Another outstanding example of careful legislative work, is that of the National Bankruptcy Conference, which is nearing completion at the present time. Much has been said in these columns in the past in regard to the work of the voluntary group of lawyers and business men that constitute the National Bankruptcy Conference. Without a dollar of public funds at their disposal, and with no motive other than a sincere attempt to coordinate the piece-meal amendments to the Bankruptcy Law that have been enacted since the Act was originally passed in 1898, and to modernize and to improve its machinery in the light of experience, the Conference has drawn into its membership qualified lawyers and laymen from every section of the United States, and has devoted more than three years to intensive study of the problem.

Of course, the Conference's work would have been unavailing without the statesman-like cooperation of the Congressmen handling bankruptcy matters.

Again, the American Law Institute in its stupendous task of restating the law, is making an invaluable contribution to the bar and the public.

In several states commissions have recently been established to assist the legislature in the drafting of laws and reforming legal procedure, which will go far toward remedying the costly mistakes engendered by the conventional method of statutory enactment.

Much of the excuse for the enactment of Federal Statutes as a panacea for the hodge-podge of state legislation is to be found in the failure of the states themselves to attack their common problems by cooperative effort. It cannot be denied that many of the problems of government, which, under the decisions of the United States Supreme Court are local in character, and cannot within the limits of the Federal Constitution be remedied by Congress, cut across state lines and are

not susceptible of adequate treatment by independent state action.

Forseeing this situation the authors of the United States Constitution provided that, with the approval of the Congress, the states themselves can enter into compacts, one with the other, for the regulation and solution of such matters. Because the United States is an "indissoluble union of indissoluble states," the United States Constitution wisely provides that interstate compacts shall not be made without the approval of Congress. Without this limitation, treaties between the sovereign states might well be made in utter disregard of the general welfare of the nation, which would be destructive of the federal union.

Little has thus far been done toward utilizing the privilege thus granted to the states. One instance where the power was used was in the creation by the states of New York and New Jersey of the "Port of New York Authority," to regulate and control the river, harbor and port facilities in the metropolitan district in and about the City of New York, which would otherwise be in hopeless confusion with the boundary line between the states of New York and New Jersey cutting the port area almost exactly in half.

Recently an organization has come into being for the express purpose of furthering interstate compacts and attempting a solution of regional problems without intervention by the Federal Government as such, and the attendant threat to states' rights. The movement is an interesting development which offers an alternative to centralization of power in Washington, and a feasible method of dealing with problems which affect, but do not constitute interstate commerce.

If business is wise, it will familiarize itself with these various movements, and through its own organizations advise and consult with those who are striving to avoid the use of paste-pots and pins as a means of curing the nation's ills. It is easier and cheaper to aid in avoiding mistakes than to attempt to correct them after the damage has been done.



Insurance Agent: "Pardon me, madam, but what is your age?"

Lady: "I have seen 23 summers."

Insurance Agent: "Yes, of course, but how many times?"

CF The next forty years

(Continued from page 13)

In the field of Government, let us hope, and in the last analysis the decision rests with us, we shall redevelop some of the simpler functional understandings of government we had earlier in its history. We can do so if business will cooperate. Let us take, for instance, the matter of price maintenance agreements. When will business awaken to the fact, that these agreements are an open invitation for governmental regulation?

Government regulation will follow any attempt at price maintenance just as certainly as night follows day.

The security market for the future will be a market for the development of new capital and the exchange of capital issues. These markets so essential to the promotion of sound business and exchange of values, should not be allowed to drift into purely gambling mediums.

In the banking field we should have one, not forty-nine regulatory bodies in this country's banking system. There should be an independent non-political central agency to control credit policies. Commercial banks will be used for self-liquidating loans; savings banks for long term loans. Savings banks will not be expected to operate on virtually a demand basis. Branch banking will undoubtedly be allowed with restrictions. Large banks will not be frowned upon merely because of their size and holding companies in the banking field will be discouraged and probably not allowed more than one step above the operating units.

Let us also hope that we will evolve a more modern system of taxation, based upon scientific taxation studies. Let us hope that in the next forty years we will not be faced with a tax bill that strikes at the very fundamentals of sound business management, namely the maintenance of adequate reserves to carry a firm through occasional stormy weather. Let us hope that the government after all is all of us, and that you and I, and others like us, have the power to influence its policies. We are, in fact, the government.

In the period ahead there should be less delegation of legislative power to the executive, and though no delega-

tion of Congressional power should be given to the Cabinet, these members will assume larger responsibilities.

Sometime, before the period ahead has passed, we hope that Cabinet members will be made responsible for programs within their Department; that it will be their duty to develop and defend these policies in the Senate and the House, and that they will suggest to Congress the legislation that may be needed for their Department. It should not be considered a wild thought to suggest that the government must have a continuous policy and that such a policy is only possible through the establishment of career men. Certainly, it seems today that in the future our political parties will have evolved into two major groups—liberals and conservatives. And from the give and take of two united groups, both aiming for the greater glory of our nation, let us hope we will find the true program for prosperity and peace.

If we understood the full forces of government, and their far-reaching effects and consequences, we would not rush to indirectly effect social reform by a program of taxation. We would deal with problems courageously and forthrightly, not at second-hand, and in so dealing with them we could not help but reach a more intelligent conclusion.

Forty years from now this nation will be celebrating its 200th birthday. At that time we will do well to take an appraisal of our contribution to civilization. Our present program should be one which would insure our continuous social, economic and political advance. If we in this country can contribute even more than our fair share towards stabilizing the social influences so essential to continued progress of civilization, then in 1976—two centuries after our epochal Declaration of Independence—we can take justifiable pride in our progress.

"I think"

CF Gossip, half-baked ideas, superficial opinions, and expressions of remorse are almost invariably introduced by "I think." How many of us really think? The number of answers based upon keen analysis can be only very few.

The popular concept of "thinking,"

like Caesar's Gaul, may be divided into three parts: (1) worrying, (2) wishful desiring, and (3) the rare, extremely rare, art of thinking per se.

Let's consider "worrying." Again, like unto Gaul, it may be divisa in partes tres: (a) remorse; (b) regret for what might have been; and (c) anxiety over things that may happen but rarely do. Obviously, worrying is remote from thinking. Far too many say, "I think" when, in reality, they are simply worrying.

How about "wishful desiring"? That's quite another aspect of "thinking." Well, wishfully desiring usually boils down into: (a) day dreams; (b) ability disabled by laziness (mental or physical); (c) congenital mental quirks; and (d) lack of motivation because of the urgent need of a stout kick properly adjusted to the posterior parts of the human anatomy. Certainly no one can assert that wishful desiring is consonant with thinking per se. The homely old, old saying that the wishbone is no relative of the backbone applies to wishful "thinking."

What, then, is real thinking? Well, it would seem, there are two channels of thought. One tears down and is destructive, the other creates and builds. Both channels are worthwhile if headed in the right directions.

By the channel of destructive thought is not meant aimless criticism—any fool can criticize and snicker that "it won't work." Destructive thought is valuable only when it opines that a project will not work and points out with irrefutable logic why. It acts as a brake when creative thought becomes overly optimistic.

The greatest of all thought processes is that which creates, constructs, or dreams of future realities. How pitifully few the number of mortals who either have done or can do so!

"Thinking"! Rot! What the vast majority of us do is worry, regret, criticize, envy, indulge in wishful longing, and then lure ourselves into believing ("thinking") that what "they say" is the real measure of success.

"They say"! Who? Well, those whose answers are predicated upon nothing stronger than the fatuous mental vaporings of "I think" and "They say."

—"The Waverly Kalends."



Credit "Q"s



and "A"s

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of the law involved.

Partners' joint bank account

Q. Two co-partners have a joint account in the bank made out to either or survivor. Would it be necessary for each of them to have a will in order that the other could claim all of the balance that might be in the bank in event of and at the time of death of one? Without a will would there be any complications?

*A. A bank account carried in the name of A or B or the survivor of them vests absolute title to the deposit in the survivor, in the absence of special circumstances showing a contrary intent. See *Kelly v. Beers*, 194 N. Y. 49. It is not necessary that the deceased depositor should have left a will bequeathing the balance to the survivor.*

Action against guarantor

Q. In the February issue of CREDIT AND FINANCIAL MANAGEMENT I no-

ticed the question as to whether on a guarantee of payment a creditor could include the guarantor and principal in one single action. Can you give me any references on this matter applicable to the State of Ohio?

A. Whether or not a principal and guarantor can be joined as parties defendant in a single action depends upon the statutes of the particular state in which the action is proposed to be brought. The subject is fully discussed in 28 Corpus Juris at page 1012. According to that authority, Ohio is one of the states in which the principal and the guarantor can be so joined. Reference is made to the following cases: 31 Ohio State 15; 26 Ohio State 330; 18 Ohio State 336.

Partnership liability

Q. Under the law of Illinois, are newly admitted partners to a partnership liable for the debts existing at the time of their admission?

A. The uniform partnership act, which is in effect in the State of Illinois contains the following provision:

*"When any new partner is admitted into an existing partnership * * * if the business is continued without liquidation of the partnership affairs, creditors of the first or dissolved partnership are also creditors of the partnership so continuing the business."*

The effect of this statutory provision is to make newly admitted partners liable for partnership debts existing at the time of their admission, if the business of the partnership is continued without liquidation.

Limitation

Q. What actions on the part of the debtor or creditor will extend the life of an account, or reinstate the account after the Statutes of Limitations have run? For instance, if an account is five years old, and the limitation on an open account is four years, does the acknowledgment in writing of the debt, or the partial payment of either principal or interest on the debt, automatically reinstate it for an additional four years?

A. The reason for this is that the law presumes that where nothing has been paid on account of a debt either by way of principal or interest, or no written acknowledgment of the existence of the debt has been made by the

Business Credit Needs Business Life Insurance

Management has a tangible value, the loss of which can be replaced through adequate business life insurance, just as the value of your plant and equipment can be replaced through other forms of insurance.

Protect the investment represented by the brains and energy of the key men in your business. The business which insures its man value has strengthened its credit both in the present and in the future.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS
C.F.M. 36

debtor, and no suit has been commenced for the collection of the debt within the period of limitations, that the obligation has been paid. A subsequent acknowledgment of the existence of the debt either by payment of principal or interest or otherwise, rebuts the presumption of payment. For a full discussion of this subject, see 37 Cor. Jur. Limitation of Actions, p. 1104.

The banker looks ahead

(Cont. from p. 5) the flow is still heavily in our direction. This influx of gold, together with our monetary policies, has built up a huge volume of excess reserves and has created abnormally cheap credit conditions. These reserves have a way of distributing themselves throughout the banking system so that practically every institution feels the pressure. Their effect is by no means limited to the larger institutions of the cities.

A similar set of forces in the 1920's was responsible, in part at least, for the rapid expansion of bank credit during that period and for the accumulation in many institutions of assets of inferior quality. With the idle funds and the pressure for expansion then existing, many institutions, if they could not get high-grade assets, took what was available. We need only remind ourselves that our monetary gold stock and our excess reserves are today far above their maximum at any previous date in our history.

The Federal Reserve and other

supervisory authorities have been given extensive powers to check or prevent unsound credit activities and excessive credit expansion. However effective these controls may be, it is my opinion that they can never take the place of sound bank management. The responsibility for maintaining high quality assets of the right character must rest upon the management of the individual institutions.

The very methods of control and the timing of the control by the central authorities are, of course, matters of interest to us all. On the basis of reserves as they exist today the member banks of the country could expand their deposits many, many billions of dollars, probably to almost double the present amount. Thus far there has been no substantial expansion except for the purchase of government securities by the banks, and there is strong opinion to the effect that there is little present need to reduce reserves or exercise credit control. The possibilities of excessive expansion are there, however, and we must face the possibility that some day controls may be necessary. It is essential to keep this in mind in our individual expansion policies. The situation is such that ordinary measures of control such as open market operations and discount rate changes may not be sufficient, and in time it may be necessary, therefore, to raise reserve requirements. At least that is a future possibility which we must keep in mind in order to estimate accurately and prepare for the effects of such a change on our individual positions.

A third major development which has created some important banking problems is the change in the general character of commercial banking. This question was discussed at some length in the recent report issued by the Commission for Study of the Banking Structure of the New York State Bankers Association. I shall not go into details here except to note that commercial banks have gotten further and further away from commercial banking. This development has been so rapid, at a time when other problems were pressing, that no adequate study or analysis of the problems arising out of this change in the character of banking has been made. The implications of such a development have probably not been fully appreciated and bankers generally have not been able to

test and perfect new rules and new standards of practice.

I mention these matters here largely to emphasize the urgent necessity for bankers to find some solution to the time deposit problem and the unbalanced relationship between the character of bank assets and the character of deposits. A commercial banking system which holds largely non-liquid assets, on the one hand, and assumes demand liabilities, on the other, is a financial paradox and a source of danger to financial stability.

The banks' depositors must be led to understand the necessity for making some adjustment, perhaps by changing the terms of the contract between the banker and the depositor. We cannot expect our depositors to have a full understanding of these questions, however, until we ourselves have analyzed them and come at least to some tentative conclusion in our own minds as to what adjustments may be necessary.

I have attempted to give you a brief statement of three types of economic changes which have created several ma-

for problems for bankers. These changes are: (1) changing economic conditions at home; (2) world political and economic disturbances resulting in extraordinary capital movements, gold flow into the United States and an exceedingly large accumulation of excess reserves; and (3) the changing character of banking in this country both in assets and in deposits.

I do not suggest this as a complete list of the economic developments which affect banks but mention them merely to illustrate the dynamic nature of our economic and social order and to emphasize the urgent necessity for constant study and investigation by bankers of these broader problems. The future course of banking in this country is going to depend very largely upon how well we as individual bankers understand these larger problems and how sound the measures are which we take to solve them. This is not a task which can be accomplished in a moment, but one which will require continuous research and study.

The use and abuse of credit

(Continued from page 25)

frequently has implicit confidence in his risk, but he is concerned about the other creditors' attitude toward the account. After an extension is arranged, it is then essential that the recipient make his word good, because by not doing so there arises a lack of confidence, and, of course, that is the key-stone on which the whole credit structure rests.

If a credit department is sufficiently manned to enable a representative to establish direct contacts with the trade through personal visits, it makes for a better understanding of respective problems. While such contacts may not always be feasible, it is possible to obtain favorable results through the sales representatives, who in their schooling for road positions should be grounded in credit fundamentals. All too frequently, credit and sales departments work at cross purposes, whereas the most successful concerns are those where the credit executive is sales-minded and each salesman is an assistant credit manager on his territory.

A credit man is truly a salesman,

but instead of having a commodity to offer, he has an intangible idea to sell, which is the principle of sound business administration, in accordance with proven standards of measurement evolved through tried and proven methods of successful operation. There is no substitute for honesty, ability and the will to work. Only through adherence to these principles will it be possible to curb the growing tendency of credit abuse with its resulting concomitant bankruptcy.

Customers should not be encouraged to buy beyond their ability to pay, and credit should be granted accordingly. Credit Managers should visualize a business proposition in its true perspective without bias, and take into account all possible eventualities. Once he has analyzed a situation, giving due weight to the financial and personal elements, he should maintain his position, although his firmness should not reach a position of obstinacy. With it all, he should in all cases, conduct his department as befits a gentleman, and in a manner that is in keeping with the high standards of his vocation.

To the laymen, the workings of a credit department are often mysterious and all too frequently credit executives

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Get a
Member in July

JULY, 1936

Save on Losses
With Interchange

Credit Council Survey Shows Tax Opinions

Ninth Report Gives Ideas on Budget, Balancing plans.

The *Economic Credit Council*, which was organized in 1932, completed its ninth survey during the month of May of this year. The Council is made up of one or more members from each local Association in the National Association of Credit Men, totaling approximately 200 members.

In this ninth survey, the following responses were received: 21 from members in the East, 36 from Mid-west, 19 from the South, 5 from the South West and 15 from the far West. These returns included 31 manufacturing firms, 16 banking institutions and 49 distributing firms. This indicates (1.) a country wide sample coverage and (2.) that the survey presents a cross section of many lines of business as well.

In response to the first question, "After a year without it, would you favor a return of your industry and all other lines of business to the N. R. A. system?" The response was as follows: 3 favored a return to the N. R. A. in its original form, 24 favored such a return but in a revised form of the N. R. A., while 69 were completely opposed to any return to the N. R. A. system.

There were four choices to the second question: "Regardless of the necessity or validity of the rising national deficits, the money already spent will have to be paid. In order to balance the national budget and reduce the national debt, which do you favor?"

The first choice was the present federal system of corporate taxes and 34 favored this with 14 opposed. The second choice was a complete substitution of an undistributed surplus tax for the present federal system of

(Continued on Page 37)

41st N.A.C.M. Convention Plans Big Four Year Program of Advancement

Haight Tells Convention of Year's Work



(Annual Report of President P. M. Haight at Richmond Convention)

In membership we have had the best year we have had in nearly a decade. Our growth in membership and the other achievements of the service divisions of the Association will be treated in the Secretary Manager's report. I do earnestly recommend that you carry on more vigorously and more energetically the membership work, the foundations for which have been laid in past years. I feel that we have those foundations in and all we have to do is erect the building. The foundations are strong enough to stand the building of many, many stories and I feel that we now can greatly extend our efforts in the matter of membership.

Mr. Heimann tells me that we wish to add at least 2,000 members to the rolls in the coming year. It ought to be possible, and I hope you will keep

(Continued on Page 39)

Delegates Endorse Proposal For Increasing Activities in Credit Education, Research

Service Departments Also to Be Advanced Under Policy Given Unanimous Endorsement at Richmond and by Secretaries at Virginia Beach

The annual convention of the National Association of Credit Men which closed in Richmond, Virginia, on June 12th marked the fortieth anniversary of the second largest business association in the United States. The spirit and action of the five day meeting was not that of an anniversary but looked toward a sharp quickening of the pace of Association activities in the immediate future. The keynote slogan "The Next Forty Years" sounded by Executive Manager Heimann during the opening session, led the Convention to think of the fortieth anniversary only as history but to look to the future as the great arena in which Credit Men shall score a greater share of plaudits for business profits and business will come to recognize the credit profession on an equal footing with that of producing and selling.

8 New Faces on National Board of Association

Seven new members were elected to the Board of Directors, one new director was elected for a term of one year to fill an unexpired term and one director was re-elected at the annual election of the National Association held during the closing session of the Richmond convention. The new members of the Board are listed below:

C. S. Fenson, Watkins-Cottrell Co., Richmond, Va.

V. F. Hutchins, General Electric Supply Corp., Detroit, Mich.

V. F. Kimbel, Ballard & Ballard, Louisville, Ky.

J. A. McBrien, Jordon-Steele, Louisville, Ky.

(Continued on Page 39)

The enthusiastic and progressive spirit of the delegates in attendance at the 41st Annual Convention of the Association must have been thoroughly illuminating to anyone who may look upon the credit manager as being negative in his approach to business problems. This spirit in evidence at all times during the Convention week, was most in evidence in the discussion and action following the annual report of the Executive Manager.

The report itself was in complete harmony with the keynote address given on the preceding day. The theme of the keynote address, presenting a preview of possible and probable developments in scientific, social and business life during the next forty years, was followed in the report by a picture of what these forty years might mean for our Association. The Executive Manager

(Continued on Page 37)

have encouraged an atmosphere of aloofness. Such an attitude has no place in the present order, as credit departments endeavor to create confidence through understanding, with a common purpose in mind of expanding business along safe lines.

There must also be close cooperation between competitors in disseminating credit information concerning customers in whom there is a common interest. Let there be competition as to price and quality of merchandise, but let us preserve a high standard of credit practice that stands aloof from a competition that cannot help but be fatal to all concerned.

The duties of a credit department are multifarious, and while decisions are sometimes difficult, nevertheless valuable assistance is given through the various services offered by the National Association and its affiliates. In addition to interchange, further valuable service can be rendered by the adjustment bureaus. How frequently a situation arises when an old established account owes a disproportionate past due balance, which precludes shipping further orders. To hold up orders invites cancellation and perhaps incites ill will or drives the customer to fill his wants from other sources until the indebtedness is liquidated. By sending a field representative to make a survey, it is frequently possible to arrange a definite settlement, which immediately makes possible further sales, or if the situation is precarious, an extension plan can be arranged under constant supervision, so as to prevent liquidation through bankruptcy, which has exacted a toll of over a billion dollars the past year. Repeatedly such supervision has resulted in paying the creditors one hundred cents on the dollar and the return of the business to the owner, free of indebtedness.

It is to be regretted that there is a marked apathy on the part of credit men in following through in bankruptcy settlements. Comparatively few credit departments attend bankruptcy examinations in person and it seems to be the rather general practice to file a claim through a legal representative and then feel that one's responsibility is ended. When a concern becomes involved in financial difficulties and it is apparent that the business can not be worked out, the interested creditors should act in concert to bring about an orderly liquidation which can best be ef-

fectured through our adjustment bureaus. If a business must be liquidated through bankruptcy, it is then the duty of each credit department to keep informed on every step in the proceeding as carefully as when the original credit was appraised.

Each credit man should oppose the discharge of a bankrupt if there is any justifiable reason for doing so, as easy discharge only invites further losses.

In connection with failures, a matter of increasing concern is the mounting tax burden being imposed upon business. It is a problem to be reckoned with, not only as a growing expense item that gnaws its way into profits, but also as a factor in liquidation, inasmuch as these preferred claims must be first satisfied at the expense of the general creditors.

It must be evident that there is a very close relationship existing between the economic progress of the world and the credit policies that have prevailed during the same period. Every business endeavor and relationship is either directly or indirectly concerned with credit in one form or another.

Our progress, however, is not an orderly affair and there has been a succession of peaks of prosperity and valleys of depression. To bring about a leveling process is most desirable and progress can be made by flexible credit policies not actuated by greed and avarice, but dictated by sound business principles, based on natural economic laws. It may take time to bring about the fulfillment of such ideals, but it can and will be done. Such a plan must be preceded by a program of education to prove to the world at large the futility of credit losses. The National and State Associations must throw their influence against uneconomic laws, and, at the same time, sponsor constructive legislation. The credit departments in every community should work actively in the interests of their local associations. Constructive programs should be formulated with the thought of better preparing the credit man to not only curb credit abuse, but to also measure up to his responsibilities as His Brother's Keeper, as was our beloved Mr. Tregoe. Will we keep faith with his memory?



DO YOU KNOW WHEN TO SAY: "THUMBS DOWN"?

Dependable, up-to-the-minute information on character, finances and past records is the deciding factor between acceptance and refusal of a credit risk. For complete credit information—SPECIFY HOOPER-HOLMES REPORTS.

THE HOOPER-HOLMES BUREAU, INC.

102 MAIDEN LANE NEW YORK

41st Convention Plans Four Year NACM Program

(Continued from Page 35)

utive Manager sketched the expansion program which might be expected normally over a period of forty years. He concluded his report by suggesting that this progress might be hastened and made a four year program if the members of the Association were sufficiently interested in bringing about a more rapid development.

The response on the part of the delegates was spontaneous and enthusiastic. This response indicated in no uncertain terms the desire of those in attendance at the Convention that plans for a more complete program in legislation, research and education as well as in all of the service department phases of our work should be launched immediately and carried on energetically. The resolution as printed herein was introduced and passed without a dissenting vote. At the Secretary-Managers Meeting which was held the following week, the resolution also published herewith was introduced and unanimously approved.

As a result of these actions, President Pillsbury will, within the next few days, appoint a committee representing all sections of the country, to meet in July. This committee will give as much time as is needed toward the perfection and launching of an aggressive and progressive program for expansion of Association activities.

As soon as the committee to be appointed by President Pillsbury decides on the complete program and the general plan for putting it into effect, a complete summary will be presented to all N.A.C.M. members.

The following is the text of the resolution adopted at the meeting of the Secretary-Managers:

WHEREAS, the National Association of Credit Men in Convention assembled at Richmond,

Ninth Report of Economic Credit Council Gives Views on Taxes

(Continued from Page 35)

corporate taxes. This was favored by 4 and opposed by 37. The third choice was a combination of present federal corporate taxes plus a restricted form of the surplus tax. This was favored by 42 and voted against by 20. The fourth choice was higher personal income taxes without any change in the present corporate tax structure. This was favored by 27 and opposed by 20. In addition a general sales tax was voted for by four members.

The third question concerned inventories, comparing current inventories with the five-year depression average. Fifty-nine firms reported that their inventories are about the five-year depression average. The average for these 59 firms is 20%. Fifteen firms reported their inventory now is below the five-year average. The average for these 15 firms is 21% below. Twenty-two firms reported that their inventories are now about the same as during the five years between January, 1930 and January, 1935.

In the matter of operating profits, 59 firms reported that during the first four months of 1936, their profits were higher than in the same period in 1935. The average for these 59 firms was 104% above the first four months of last year. Sixteen firms reported operating profits for that period to be lower this year. The average for these 16

firms was 24% lower. Twenty-one firms reported their operating profits during the two periods under consideration to be the same this year as last year.

In response to question No. 5, 84 firms reported their 1936 activity, compared to the same period in 1933, to be 83% higher in 1936. Nine firms reported their 1936 activity as an average 23% below the same period in 1933. Three firms reported their 1936 activity to be the same as for that period in 1933.

In comparing the 1936 activity with 1929, the figures, of course, showed a different result. Only 21 firms had higher activity this year than in 1929 and this activity averaged 24% higher for the current period. Sixty-six firms, on the other hand, reported an average of 3% lower during 1936 than 1929. Nine firms reported their activity during 1936 to be equal to that of 1929.

The final question concerned wholesale collections. Compared with the same period of the first four months of 1935, this year 46 firms found wholesale collections to be easier, 21 firms found them more difficult, while 29 firms found them about the same as last year.

Another survey of the Council will be made in December. The findings of that survey, as of all past surveys, will be completely reported in "Credit and Financial Management."

Virginia, was privileged to look into the future possibilities of the Association as unfolded by its Executive Manager and was offered the general outline of a plan of progressive development whose financing the Convention unanimously voted to authorize, AND

WHEREAS, the Secretaries and Managers of the local Associations assembled for conference at Virginia Beach, in their daily contacts with business recognize that during the last decade conditions have brought about great and rapid changes in business personnel, causing men to come to the front who have not been grounded in the purposes and work of this Association, AND

WHEREAS, there is general agreement that business is entering into a new phase giving rise to new and strange conditions that will greatly affect credits and that the leadership

of the Association in the credit field if it is to be maintained calls for much consideration and study and the exertion of determined efforts along new lines, THEREFORE, BE IT

RESOLVED, that the Secretaries and Managers of the local Associations affiliated with the National Association express appreciation to Executive Manager Heimann for the inspiration and direction he has given them in the presentation of the Four Year promotional plan he has laid before the Richmond Convention and pledge their best efforts to advance and sustain a program constructed along the lines he has suggested, as it shall be worked out by the proposed joint Committee made up of representatives of the National Board of Directors, a group of outstanding members of the Association at large, and representatives of this Conference.

Delegates Vote Palm to 'Dixie' As Our Hosts

As delegates to the 41st Annual Convention of the National Association of Credit Men hear the popular song "Is it true what they say about Dixie" over the radio these days they are unanimous in response that it certainly is true that Richmond was a very gracious host city to the convention of credit executives last month. E. R. Patterson, President of the Richmond Association; C. S. Fensom, Convention Chairman; Mrs. J. F. Wood, Chairman of the Women's Hostess Committee; Alvin M. Smith, Chairman of the Entertainment Committee; Walter A. Williams, Chairman of the Registration Committee, and J. Frank Wood, Chairman of the Program Committee, all stood loyally back of John P. Abernethy, Executive Secretary of the Richmond Association of Credit Men, in making good John's promise that the Association would never forget its visit to the Virginia metropolis.

The entertainment at the Convention started on Monday when the ladies were given an automobile tour of the historical Virginia city. The President's Ball at the Jefferson Hotel, Monday night, was a brilliant affair. On Tuesday evening the Credit Women's Annual Banquet was held on the roof garden at the Hotel John Marshall with Miss Lula Dickerson, Chairman of the Credit Women's Convention Committee of Richmond, acting as official host. The credit women's breakfast and annual meeting was held on Tuesday morning in the Washington Room at the John Marshall Hotel.

The "day off" on Wednesday when the entire delegation of credit executives went to Williamsburg by buses and special train for a day of sightseeing at the famous historical spot of pre-Revolution days. The day at Williamsburg was voted one of the most delightful entertainments offered at any convention in recent years.

On Thursday and Friday special forms of entertainment were provided for the visiting women, including a big bridge tournament at the Hotel Jefferson, which followed a luncheon for the visiting ladies.

All the delegates were loud in their praises for the entertainment provided by Richmond.

FLASH!

The National Board at its meeting held immediately after the Richmond Convention closed, selected Chicago as the Host City for the 1937 Convention.



(Above) Group taken during session of Secretary-Managers at Virginia Beach after the convention closed.



(Above) Wichita is presented the award in the membership contest in its class.



(Left) Secretary Hugh Wells of Cleveland presents a group of Ohioans.

Haight Tells Convention of Year's Work

(Continued from page 35)

that figure in mind and do your part in seeing that the next administration is able to report such an achievement when it makes its report to you a year hence.

There have been many developments and improvements during the year in the Interchange bureaus in adjustment work in the National Institute of Credit, in the fraud prevention and in the other work of our Association. I can report progress to you all along the line in all of those activities. Your foreign department has been extremely active. I can tell you that the Foreign Interchange Bureau is showing a remarkable come back. It of course suffered materially during the years of depression when probably our foreign trade sank to even lower levels than did our domestic activities. One of the strongest features I think that has been demonstrated in regard to the Foreign Credit Interchange Bureau is the fact that it is the old members who had been obliged to retire who are coming back into the fold almost, I might say, without solicitation.

Our legislative activities perhaps need no comment from me because the field has been thoroughly bulletined in that respect. We have received much press comment and I wish at this time to compliment our public relations department and our publicity bureau on what they have accomplished in the past year. I feel that through our legislative activity in particular, and also through the activities of Mr. Heimann and through his knowledge of conditions at Washington and his wide acquaintance, our Association has been put more vividly and more understandingly before the American public in the last year than ever before. That is not a criticism or a reflection upon the part of the workers of previous years, but I believe that the events and the conditions of the country were right and helped to bring about that recognition that we have received during the past year.

Your National officers, your Administrative Committee, your Board of Directors have been active, earnest and sincere in the performance of their duties during the past year. No executive could have had more earn-

81 New Names Added to Board of Directors of National at Richmond

(Continued from Page 35)

vens Co., Minneapolis, Minn.
E. E. Ogren, The Stanley Works, New Britain, Conn.

Ray S. Shannon, Weyenberg Shoe Co., Milwaukee, Wis. (1 year)

R. K. Sybert, Hage's Ltd., San Diego, Cal.

B. H. Tritton, American Stove Co., Cleveland, O.

Harvey L. Welch, First National Bank, St. Louis, Mo. (Re-elected)

The members of the Board whose terms have not expired are:

Osbon W. Bullen, Lever Bros. Co., Cambridge, Mass.

Arnold W. Groth, First National Bank of Portland, Portland, Ore.

F. J. Hamerin, Lilly Varnish Co., Indianapolis, Ind.

L. W. Lyons, Westinghouse Electric & Mfg. Co., East Pittsburgh, Pa.

Ralph Meyer, McKesson-Western Drug Co., Los Angeles, Calif.

Dana W. Norris, Lennox Furnace Co., Inc., Syracuse, N. Y.

Edward G. Parker, First National Bank, Fort Worth, Texas
John L. Redmond, Crompton-Richmond Co., Inc., New York, N. Y.

A. T. Rickards, Sharp & Dohme, Inc., Philadelphia, Pa.
W. H. Schmidt, Pittsburgh Plate Glass Co., Des Moines, Iowa

W. F. Smith, Chattanooga Medicine Co., Chattanooga, Tenn.

Edward M. Tourtelot, First National Bank of Chicago, Chicago, Ill.

C. E. Votrian, Barnsdall Refining Co., Tulsa, Okla.

R. C. Wilson, First National Bank, Salt Lake City, Utah.

Frank A. Worth, Spencer Kellogg & Sons, Buffalo, N. Y.

est support and more serious effort in the duties assigned to them than have been performed by your elected officers in this Association during the past year. My thanks go to those men for the support that they have given the administration. My thanks also go to Executive Manager Heimann, to David Weir, to William Swingle and all the other members of the National staff who have labored so hard throughout the year and who have largely contributed to the successful results that we have attained.

Your Vice Presidents for the three Divisions have been of the greatest support to me through the year. The Vice Presidents in the Eastern and Central Divisions have given yeoman service. The Vice President for the Western Division has as a matter of fact worn himself out in the first six months of the current year by the duties that he took on and by the energy that he expended. Our sympathy goes out to Ralph Fisher because of his illness, but we are happy that he is so surely and steadily returning to good health.

I want at this time to speak particularly about the consideration that I feel that the Association nationally and the local associations should afford our Executive Manager, Mr. Heimann has had an extremely hard year, when the most complex and most perplexing prob-

lems have arisen. He has met the problems with his usual courage and his usual acumen. The fact that we have made as much progress as we have this year has been due very largely to Mr. Heimann's excellent management and diplomacy.

I plead with you in the time to come to bear in mind that he is but one man and that there are but twenty-four hours in each of his days just as in the days of the rest of us. It is impossible for him to meet all the demands or be personally on the spot in all parts of the country. It is my earnest recommendation to the next administration that some plan be made for scheduling Mr. Heimann's trips so as to spare his strength and enable him in that way to carry on in full vigor for the many years that we hope there are before him for us.

In conclusion, I want to thank all my friends in all the associations throughout the country for the consideration that they have shown me, for the backing that they have given your National administration this year. I am looking forward to continuing the many marvelous friendships and acquaintanceships that have been built up in the last year. I thank you for your support; I thank you for your uniform courtesy and friendship.

Congress Day At Richmond is Strong Magnet

Thirty-five separate trade group conferences were held during the entire day on Thursday of Convention week at Richmond, June 11th. There were so many of these group meetings that it was necessary to hold sessions in the three major hotels, the John Marshall, the Richmond and the Jefferson.

One of the largest groups meeting on Credit Congress Day was that of the textile industry. This group meeting was presided over by John L. Redmond of the Crompton-Richmond Company, the National Director and a Vice-President of the New York Credit Men's Association. He also is president of the "475 Club" of the New York Association. One of the outstanding features of the textile group session was a discussion of trade standards in ratio analysis and statement analysis led by Nash Eldridge of the J. P. Stevens & Company, New York.

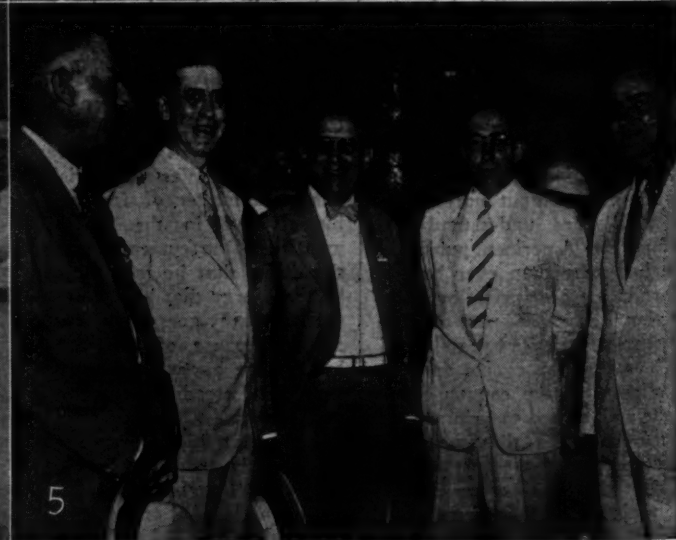
The Bank Credit Men's Group meeting, in cooperation with the Robert Morris Associates, was featured by an address on corporate reorganizations by W. Randolph Montgomery, General Counsel of the National Association of Credit Men. E. M. Tourtelot, Vice-President of the First National Bank of Chicago, directed a general forum discussion on this important subject after Mr. Montgomery's address.

The Insurance Group, presided over by Don C. Campbell of Chicago was another large division on Credit Congress Day. During the morning session the insurance men discussed their plans carried through during the past year for developing insurance forum meetings in various associations throughout the country and gave reports on the result of this effort. During the afternoon the program was designed as a discussion of insurance subjects for the buyers of insurance. The program by the Insurance Group will be continued during the coming year.

The Credit Congress this year drew a larger attendance at the various groups than any previous year and further entrenched the opinion that this feature of the National Convention is of great importance in the general credit education program.



1 through 7 above are some of the reasons why Richmond proved such a gracious host. (1) Mrs. J. Frank Wood, seated in center, and her ever attentive hostess committee. (2) Alvin Smith, who made the announcements, a happy part of every convention session. (3) C. S. Fenson, general convention chairman and two attractive daughters. (4) John Abernathy, Secretary-Manager of Richmond Association. (5) Miss Lula Dickerson, chairman Credit Women's committee. (6) E. R. Patterson, president Richmond Association. (7) President Haight presents cup given by convention to Announcer Smith. (8) Delegates were registered by an efficient force under direction of Miss Mary Jane Heady of Chicago office. (9) Secretary E. E. Barbee of Oklahoma City and his Ten Gallon Hat brigade. (10) left, Mrs. Robert Peel, Salt Lake City, right, Mrs. McKelvey, Denver. (11) A discussion of the merits of zinc or lead was halted to make this snap shot. (12) Secretary Charles Cobb presents a Louisiana group. Mr. and Mrs. Ned Pillsbury, (he is the new National President of N. A. C. M.) just right of center in white.



(1) Western Division dinner group. (2) An impressive Credit Congress Day group at Hotel Jefferson. (3) Part of Minneapolis delegation. (4) Secretary Reynolds introduces part of the St. Paul group. (5) Secretary Gus Horn of Omaha shows this group how a mid-westerner smiles.